

# FINANCIAL TIMES



**Car industry**  
On the move  
in central Europe

**Free economics**  
Too much of  
a good thing



**Stunted growth**  
Forests run  
short of wood



**South-east Asia**  
On the brink  
of an arms race

World Business Newspaper

WEDNESDAY FEBRUARY 28 1996

## IBM stops making computers at Russian factory

US computer company IBM is pulling out of personal computer production in Russia. It says changes in the Russian tax regime have undermined the rationale for making computers locally rather than importing them. Other western computer makers have also complained about the effect of tax breaks granted to Russian trading groups with Kremlin connections. These concessions have enabled some favoured dealers to sell imported computers free of tariffs and taxes - normally 21.5 per cent of the selling price. Page 12

**US data hit rate out hopes:** A boost in consumer confidence and better than expected retail sales figures hit US market hopes of an early cut in interest rates. Retail sales fell 0.3 per cent last month against a predicted 0.5 per cent, while revised December sales data showed a rise of 0.6 per cent from November. Page 12

**Franco-German compromise:** France and Germany reached a compromise aimed at letting the European Union act more decisively in foreign and security policy issues while allowing member states to abstain from involvement in specific military and policing decisions. The deal is in preparation for next month's conference on developing the EU. Page 2; Editorial Comment, Page 11

**Bombardier bows out:** Canadian aerospace company Bombardier withdrew as a potential rescuer for Fokker, the near-bankrupt Dutch aircraft maker. Fokker's future now lies either with a second potential bidder, Samsung of South Korea, or possibly as a "stand-alone" role in slimmed-down form. Page 13

**French group to split:** Media and textiles group Chargeurs plans to split into two separate quoted companies in what is thought to be the first French example of a big demerger. Pathé will take control of television, cinema and press interests, and Chargeurs International will run its textile and distribution businesses. Page 18; Lex, Page 12

**Many killed in Belgian motorway pile-up:**



At least 14 people died and about 30 were seriously injured when 120 vehicles were involved in a pile-up on a fog-bound motorway. Fire raged through the cars after the crashes on the E17 Antwerp-Lille. Jute and police did not rule out finding more bodies in the burned-out wreckage.

**Indian opposition walks out:** Indian opposition legislators walked out of parliament after demanding that prime minister P.V. Narasimha Rao attend to explain his role in a series of political corruption scandals.

**Wal-Mart declines:** US stores group Wal-Mart saw quarterly profits fall for the first time in 25 years. Fourth-quarter earnings dropped by 8 per cent to \$942m compared with the same quarter a year earlier.

**Reassurance from China:** Chinese trade and finance officials sought to reassure foreign investors about the impact of imminent tax reforms. Foreign investors have been worried about the extra administrative burden involved in the reforms and the increased cost of investment. Page 4

**Japanese company admits falsehood:** Japanese drug company Green Cross admitted lying about when it withdrew untreated blood products. The admission angered haemophiliacs infected with the AIDS virus HIV from tainted imported blood products. Page 6

**Cuba's strong off sanctions:** Cuba was defiant in the face of punitive US sanctions order after two small US civilian aircraft were shot down by Cuban fighters. The UN Security Council called for an international investigation into the incident. Page 5

**Super League stumble:** Australia's federal court banned Rupert Murdoch's News group from starting a breakaway rugby league - to be called Super League - this season, and said it could not use players it had signed up but who had previously been contracted to the Australian Rugby League clubs in any competition. Page 6

STOCK MARKET MOVES

New York: Dow Jones	34.32	1,330.78
NASDAQ Composite	4.57	1,108.25
Europe and Far East		
DAX	13.28	1,374.52
DAXI	42.58	2,444.92
FTSE 100	11.77	3,715.9
Nikkei	479.87	20,000.40

US LUNCHTIME RATES

Federal Funds	5.75%
3-month Treasury Bill	4.50%
Long Term	6.50%
Yield	6.43%

OTHER RATES

100-day T-bill	6.5%
3-month Treasury	4.5%
6-month Treasury	5.5%
9-month Treasury	5.5%
1-year Treasury	6.5%

NORTH SEA OIL (Argentine)

Brent 15-day (Apr)	218.00
Brent 15-day (Mar)	177.85

COMMODITIES

Aluminum	158.20
Copper	102.00
Gold	360.00
Iron Ore	11.00
Lead	10.00
Nickel	10.00
Platinum	1,000.00
Silver	10.00
Steel	10.00
Wheat	10.00

## Norwegian engineering group holds takeover talks with ailing UK conglomerate Kvaerner may bid for Trafalgar

By Andrew Taylor and Patrick Harverson in London and Christopher Brown-Humes in Stockholm

Trafalgar House revealed yesterday it was in talks with Kvaerner of Norway that could lead to a bid for the struggling UK construction, engineering and shipping conglomerate. Kvaerner was frustrated last December in a £360m (\$544m) hostile bid for Amec, another UK construction and engineering group. The Norwegian engineering and shipping group said yesterday it would only proceed with a purchase with the support of Trafalgar. The share price of Trafalgar, in which Hong Kong Land holds a 26 per cent stake, jumped 84p to 474p following the announcement. Kvaerner's B shares fell Nkr5 to Nkr193.

The group has identified its offshore oil and gas fabrication business as well as large international construction and civil engineering projects as two areas where it wants to expand. Trafalgar has large interests in both of these markets. It was not clear, however, if Kvaerner was interested in buying all or a large part of the British group. Kvaerner said: "We are having talks covering a broad range of business opportunities." City analysts doubted whether

Kvaerner had the financial strength to buy Trafalgar outright. One analyst said: "Kvaerner does not appear to have the capital or cash reserves to make a move of this size." Kvaerner's stock market value of about \$260m is slightly higher than Trafalgar's market capitalisation of \$133m at yesterday's closing price. Analysts estimated that the Norwegian company would have to pay at least 55p a share to buy the British group, which suspended dividend payments last autumn after making a pre-tax loss of £220.5m in the 12 months to the end of September. Kvaerner said the two groups had overlapping interests in offshore construction and mechanical engineering but added that Trafalgar's Cunard cruise shipping businesses did not fit with Kvaerner's existing activities. Kvaerner doubled profits last year to Nkr2.4bn (\$379m) from Nkr1.2bn in 1994. The figures, however, were inflated by several one-off gains including Nkr660m on the sale of Kvaerner's gas carrier shipping business in April. Since the end of 1991 the group's share price has underperformed the Norwegian market. The shares have continued to slide with the market worried by recent losses on big projects and falling margins in the shipbuilding industry.

Eschewing battle, Page 19  
Lex, Page 12

## Sega to scale down European sales operation

Group will take extraordinary loss of \$245m to cover closures

By William Dawkins in Tokyo and Alice Rawsthorn in London

Sega Enterprises, one of Japan's largest games groups, yesterday announced the closure of its European sales subsidiary and its replacement with a smaller operation.

The move follows a turbulent period for the video games industry during which sales of hardware and software declined from the 1992 peak as enthusiasts waited for the launch of the new generation of 32-bit systems. Sega also faces competition from Sony's 32-bit system, the Japanese consumer electronic group's first games format. Sega will take a ¥26bn (\$245.28m) extraordinary loss in the current financial year to the end of March, to cover the cost of closing Sega Europe's London headquarters and its sales operations in Austria, Belgium and the Netherlands.

The extraordinary loss also includes the rationalisation of Sega's US operation and a write-down on unsold stocks of its 16-bit game machines. Sales of its 16-bit systems have fallen sharply since the introduction last year of the 32-bit Sega Saturn format. Sega also warned that recurring group profits would fall to ¥5bn - excluding the extraordinary loss - in the year to the end of March, from ¥12.8bn last year. This will be its third successive year of profits decline. In spite of its difficulties in Europe, Sega is faring well with games in Japan, amusement arcade machines and the Sega-World miniature theme parks. So far the 32-bit Sony PlayStation has out-sold the Sega Saturn. Durlacher Securities in London estimates Sony has sold almost 4m systems, against fewer than 3m Saturns. Both 32-bit systems will face fresh competition next autumn when Sega's arch-rival Nintendo launches the Ultra 64, its 64-bit system. The longer-term trend in the games market is towards on-line formats which allow consumers to access games software developed by companies such as Sega and Nintendo on their computers and pay to play with it for fixed periods. Sega's decision to streamline its European operations was interpreted by analysts as the start of a strategic switch to concentrate on games software and SegaWorld. The group is moving its European headquarters to smaller premises in London and reducing its workforce in Europe from 300 to 125. Some of Sega Europe's former employees in London will be transferred within the capital to the SegaWorld complex due to open in July at the Trocadero, Piccadilly Circus. The streamlined Sega Europe will continue to handle sales of the group's games in the UK, France, Germany and Spain. In other European countries it will sell through independent agents.



Centre-right leader José María Aznar greeting Popular party supporters at the start of his electoral meeting in Madrid ahead of Spain's general election on Sunday. Polls predict he may oust Socialist Felipe González as prime minister. Aznar rides high, Page 3

## Tokyo agrees to extend music copyright

By Michio Nakamoto in Tokyo and Alice Rawsthorn in London

Japan has agreed to amend its copyright property rules on recorded music following complaints to the World Trade Organisation by the US and the European Union. The Japanese Agency for Cultural Affairs has started proceedings to extend copyright protection for record companies and performing artists back to 1946 from the current date of 1971. The changes will bring Japanese law into line with legislation in the US and EU and will enable western record companies to collect royalties on 1950s and 1960s recordings including those of Elvis Presley, the Beach Boys and the Beatles. Both the US and the EU had initiated dispute settlement proceedings at the WTO over copyright, claiming Japan was in breach of internationally agreed intellectual property rules. Japan is the world's largest recorded music market after the US. Some \$5.93bn worth of singles and albums were sold there in 1994, according to the International Federation of the Phonographic Industry, representing nearly 17 per cent of the \$35.5bn global music market. Local repertoire absorbs a high proportion of sales, but Japan is also a lucrative market for western record companies with

Continued on Page 12

## US West reinforces cable business with \$1.1bn merger

By Christopher Parkes in Los Angeles

US West, the fast-moving communications group, plans to promote itself to the elite ranks of the US industry through an agreed \$1.1bn stock-and-cash merger with Continental Cablevision.

The link between the aggressive "Baby Bell" regional telephone company and one of the few pure cable TV specialists still operating independently, marks the start of a renewed, widely-expected consolidation in the US communications sector. US West will pay between \$1bn and \$1.6bn cash and offer shares to an aggregate value of \$5.5bn for all outstanding Continental stock. It will also assume debts of up to \$5.5bn. The deal greatly reinforces US West's cable business, which consists of a relatively small wholly owned network and a 25 per cent stake in Time Warner Entertainment, which claims 11.5m subscribers.

Mr Gerald Levin, chairman of Time Warner, one of the world's biggest entertainment and media groups, underscored the move's importance by immediately issuing a statement that the merger, involving two companies with which it has close bonds, could lead to further "affiliations" between the three groups. This unusual intervention from a company not directly involved suggested that, despite a bitter legal battle with US West, Time Warner is eager to keep commercial relationships intact. The merger announcement followed implementation of legislation stripping away the remnants of telephone companies' monopoly powers and coincided with the emergence of new competition for domestic and business users from direct broadcast satellite (DBS), "wireless cable" and other data delivery systems. Both developments had been expected to promote closer bonds between cable television and telephone concerns which, together, have direct wire or optical fibre connections to, or close to, most US homes and businesses. Mr Chuck Little, president and chief executive of US West Media, said the merger marked the "defining day" for the company, which had set out three years ago its plans to evolve into a combined cable/telephone operator. The agreement will add further to the ferment in the wider communications industry where telecom, broadcast, cable, satellite, microwave and print media and entertainment groups are jockeying energetically. The group's main interests in telecommunications include more than 28m customers in 14 western and mid-western states. Continental, the third-biggest cable provider in the country, has 4.2m US customers and passes more than 7m households. It also owns a 10 per cent stake in the fast-growing PrimeStar satellite television company. PrimeStar, in turn, is part-controlled by Tele-Communications Inc, the biggest US cable group.

Continued on Page 12  
Cable advert to cost \$18.5m, Page 7; Lex, Page 12

**Seita**

has purchased a 33 per cent shareholding and an option for a further 32 per cent in

ZPT RADOM S.A.

for

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from

The Ministry of Ownership Changes of the Republic of Poland

The undersigned acted as advisers to Seita in this transaction

Continued on Page 12  
Cable advert to cost \$18.5m, Page 7; Lex, Page 12

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December 1995



Road to European integration paved with political problems

# Discord on measuring EU's markets

## Paris and Bonn agree EU foreign policy opt-out pact

By Gillian Tett, Economics Correspondent

A deep dispute has emerged between European countries about how they should measure financial markets in the future single currency area.

The problem has emerged as the European Monetary Institute, the forerunner of a future European Central Bank, seeks to find a common system of measuring financial flows across the European Union.

Figures on cross border transactions and holdings are deemed essential for calculating balance of payments data for setting future monetary policy. But differences have emerged between the UK and countries such as Germany which operate very different systems of measurement.

Countries such as Germany insist the UK's current method for measuring financial flows would be inadequate for a single monetary policy. The UK fears a Continental system would significantly raise reporting requirements for UK-based banks and other financial institutions. A senior UK official said: "If we tried to introduce this system we would have a revolt on our hands. London's financial markets are just so complex we can't demand this kind of detail."

The issue revolves around the question of how transactions and holdings of securities and other financial instruments are recorded.

In such countries as Germany, information is collected by banks each time a transaction in securities or other financial instruments takes place. This allows the banks to submit monthly data on money flowing in and out of the country.

In the UK, information on financial flows is primarily collected through quarterly surveys by the Bank of England and the Central Statistical Office.

UK monetary authorities insist it is difficult to collect more detailed information because London's financial markets are far larger than those in continental Europe.

The Bank of England and the CSO have offered to estimate monthly trends from existing quarterly figures. But continental countries are demanding genuine monthly data.

One way to avoid the problem would be to assume that the UK will be outside the single currency. However, since changing the statistical system is likely to take several years, the EMI is reluctant to exclude the UK from the harmonisation process as long as there is any chance it will wish to join a single currency in the future.

By Peter Norman in Freiburg

France and Germany yesterday reached a compromise designed to allow the European Union to take more decisive action in foreign and security policy issues while allowing member states to opt out of specific military and policing decisions.

After a special meeting of the two countries' foreign and European ministers to help prepare for next month's start of the inter-governmental conference on developing the EU, France and Germany issued four pages of guidelines enshrining the idea of "constructive abstention" in any future EU common security and foreign policy.

Constructive abstention means no EU member state would be obliged to provide national forces for joint European military and police actions against its will.

On the other hand, any member state that felt unable to take part in such joint action would be unable to hinder the others. The abstaining country would be expected to show solidarity with the other EU states through political support for any action and financial contributions channelled through the EU budget.

Yesterday's Franco-German agreement, a month before the IGC opens in Turin, paved over a division between Germany, which has sought the greatest possible extension of majority voting in EU affairs, and France, which has been especially reluctant to move down this path in foreign and security matters.

Mr Hervé de Charette, the French foreign minister, said the formula agreed yesterday would permit the EU to take decisions which currently were blocked by the need for consensus. Mr Klaus Kinkel, the Ger-

man foreign minister, hailed the result of the meeting as a sign that Franco-German co-operation continued to be the "motor of European integration".

A key preoccupation of the two sides has been to improve the EU's decision-making capacity in anticipation of its expansion to include new members from southern, eastern, and central Europe, which could lift overall membership from 15 to nearly 80 countries.

The joint paper refined the two nations' approach to the proposed joint foreign and security policy of the EU.

It said that in the medium term the two countries wanted to merge the Western European Union, Europe's security body, into the European Union. In the meantime, the European Council of Ministers should have the competence to decide common foreign and security actions which the WEU would

carry out on behalf of the EU.

It also said the European Union Treaty should include a "solid political solidarity clause" by which all members could expect to be defended by the union. But with an eye to the current dispute between EU member Greece and non-member Turkey, in which some EU nations have found it difficult to rally fully behind Greece, the paper said solidarity should take account of the legitimate interests of individual member states. Mr Kinkel said solidarity should be a "two way street" implying that EU members could not expect support for unreasonable behaviour.

The statement called for the creation of a joint planning and analytical unit to help the secretariat of the EU council of ministers achieve the necessary coherence in drawing up policies.

Editorial comment, Page 11

## EU inflation data difficult to harmonise

By Gillian Tett, Economics Correspondent

The European Union's first set of common inflation figures, to be published tomorrow, will exclude key areas of consumer spending because member states have so far failed to agree a common way to measure prices.

Commission statisticians have been forced to publish the preliminary data to allow the Commission to make initial judgments this year on which EU countries will be eligible to join the single currency.

However, with the quality of the data uncertain, the inflation figures could prove politically sensitive - some countries are unlikely to meet the convergence inflation criterion, and the data are likely to be at odds with national figures.

In particular, the new figures are likely to show inflation in such countries as Italy, the UK and Denmark higher than their national figures.

The figures published tomorrow represent an interim solution to a problem which has bedevilled statisticians over the past two years.

The Maastricht treaty stipulated that one criterion for entry into a single currency was that a country's inflation rate should be within 1.5 percentage points of the lowest three rates in the EU in the 12 months before entry into the single currency.

Member states measure inflation in different ways, so Eurostat, the EU statistical office in

Luxembourg, started work on harmonising inflation data.

Some politicians had hoped that harmonised data would be available by this year. Some progress in harmonisation has been made, but member states remain at odds over some areas of inflation methodology.

Even the more harmonised data Eurostat plans to produce by the start of 1997, so final judgments about the Maastricht criterion can be made, are likely to exclude some areas. Housing costs, for exam-

ple, are proving controversial because some countries, such as Germany, primarily measure rental costs, while the UK focuses on mortgages.

This week's preliminary data have been created by excluding all areas of spending which are controversial - including owner-occupier housing costs, insurance, health care and foreign holidays. Cutting out these elements result in significant changes in the figures.

Kleinwort Benson, a member of Dresdner bank, for example, calculates that German inflation will be only 1.3 per cent in

January according to the EU data - compared with 1.5 per cent in national figures.

Italian inflation, by contrast, will rise to 5.8 per cent in January, from 5.5 per cent in the national data.

Meanwhile, UK inflation could rise to 3.2 per cent, from the official level of 2.8 per cent. This is because owner-occupier housing costs and insurance prices - which are excluded from the data - have been falling in recent months.

The scale of these changes could prove politically sensitive, given that some countries - such as Italy - are unlikely to meet the Maastricht criterion.

Some observers believe the impact of the different methodologies could be even larger.

A recent Franco-German study, for example, showed that German inflation would have been as much as 0.3 per cent lower in 1992 and 1993 if it had been calculated according to French methods.

As Mr Francois Lequiller, of the French government statistical service INSEE says: "Our study with the Germans shows the scale of Eurostat's problem - a 0.8 percentage point difference is very significant when the Maastricht criterion is focused on a 1.5 percentage point band."

Nevertheless, Mr Lequiller insisted that Eurostat's preliminary data would still be valuable. "We need to be realistic - these figures are useful because they drive the harmonisation process on."

## Extradition dispute adds to problems

By David White in Madrid

Spain has raised the stakes in its argument with Belgium over extradition by warning that the issue could undermine the planned revision of the European Union's Maastricht treaty.

Mr Carlos Westendorp, foreign minister, said on Spanish radio yesterday that EU states must stop providing legal loopholes for terrorist suspects through the notion that some offences were "political".

"If this does not happen, there will be no revision," he said, referring to the inter-governmental conference on the future of the EU, due to be launched in Turin on March 29. Mr Westendorp last year chaired the group preparing for the conference.

The Spanish government is angered by the release from custody in Belgium of a Spanish couple wanted on suspicion of helping Basque Eta terrorists. The release followed a decision by the Belgian council of state to block an extradition order against the couple, sought by Madrid since 1993.

By threatening a veto, Madrid is hoping to mobilise stronger support among other EU members for the elimination of barriers to extradition within the union. Its tough position partly reflects a public outcry over recent Eta killings, as well as the imminence of general elections next Sunday.



Prosecution lawyer Eric Ostberg (centre) discusses the case of Milan Martić (left) yesterday in The Hague with fellow prosecutor Gregory Kahoe of the US (right)

## UN war crimes tribunal hears of Zagreb bombing

By Laura Silber in The Hague

In a rare public hearing yesterday, the UN war crimes tribunal was told how Mr Milan Martić, the rebel Serb leader from Croatia, ordered a cluster bomb attack on the heart of Zagreb last May which killed seven people.

But the dock was empty for the one-day session. The only sight of Mr Martić was on video from Bosnian Serb television. The tribunal watched the stocky former police inspector with a clipped monstache proclaim that he had bombed Croatian cities.

"What the Croats have done is a crime... As a countermeasure we have bombarded all

their cities... it was done for you," he said after Croatian army forces had launched their lightning offensive against western Slavonia, then part of the self-styled Serb republic of Krajina.

But Mr Eric Ostberg, the Swedish prosecutor lawyer, said the Orkan rocket attacks on May 2 and 3 1995 were not reprisals. "It was a terror retaliation and it was unlawful."

The tribunal has no power to convict 50-year old Mr Martić, who lives in Banja Luka, the Bosnian Serb town - it cannot convict anyone in absentia. The hearing was held under Rule 61, which gives the victims a chance to testify and can issue an arrest warrant.

Mr Martić said in a statement yesterday that he did not regard the Hague tribunal as legitimate. It was a political court being used to "defeat and humiliate" the Serbs.

The hope behind the public hearing is that it will step up pressure on Serb leaders to extradite Mr Martić.

The UN Security Council yesterday announced the suspension of UN economic sanctions against the Bosnian Serbs. Ms Madeleine Albright, Council president, said that as the Serbs had complied with military requirements specified in the Dayton peace agreement, the sanctions were suspended with immediate effect.

## EU to examine state aid to problem regions

By Emma Tucker in Brussels

Fears that state aid to "problem" regions in the European Union is leading to severe distortions of competition have prompted a thorough examination of regional aid rules by industry experts from the member states.

They are worried that the combination of European, national and local schemes in disadvantaged areas such as eastern Germany and southern Italy is leading to such an escalation of aid that the single market is being undermined.

Further, the bulk of regional aid benefits big, capital-intensive projects. Although this puts competitors from non-aided regions at a disadvantage, the aid is immune from examination under regional rules.

Another key concern is that the Union's richer countries spend significantly more on state aid, often through regional assistance, than the

poorer southern countries.

"The poor countries are losing out. They simply can't compete," said an industry executive in Brussels.

At a meeting in Brussels yesterday top officials from the member states met to address the issue, with a view eventually to drafting a new framework on regional state aid that would apply clear rules to all sectors of industry and services.

It is hoped that such a framework would enable the Commission's competition services to examine the interface between state aids and regional policy more closely and end distortions of the single market.

Under existing EU rules, regional aid is permitted to encourage companies to invest in disadvantaged areas. In general, the aids are designed to provide a financial stimulus to investors that tilts the balance away from the region's structural disadvantages.

A discussion paper prepared by the Commission points out that in many cases a large-scale investor is usually considering alternative sites in different member states and "this may lead to a spiral of generous promises of aid".

"In assessing large-scale projects, a balance must be struck between the requirements of regional development and the need to avoid undue distortions of competition within the internal market," says the document. "An undue distortion occurs when the advantages of the aided project for the region concerned are outweighed by the adverse effects for unaided competitors located in other parts of the European Economic Area."

Most member states agree with the Commission's objectives. However, some, such as Germany, are likely to tread carefully in drawing up new proposals, for fear they might interfere with the reconstruction of east Germany.

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## France urged to reorganise its public services

By David Buchan in Paris

France is engaged in a false doctrinal quarrel with Brussels over the future of its public services, but must reform and improve them to match liberalisation elsewhere in Europe.

This is the thrust of a report from a high-level expert committee handed to French Prime Minister Alain Juppé yesterday. It comes as the government is struggling to find ways of privatising France Télécom and of altering the monopoly of Electricité de France without provoking a union backlash.

The 12-person committee,

chaired by Mr Renaud Denoix de Saint-Marc, a senior civil servant, was asked by Mr Juppé last year to define the concept of "public services à la française" which the prime minister had pledged to defend in Brussels.

The widespread French fear is that privatisation, even competition, would introduce inequalities of service, tariffs and access into public services that are rated highly.

The report says the French "doctrine" of impartially-administered universal public services to which all citizens should have equal access is broadly reflected in European

Union treaties and jurisprudence. It concedes it "would be useful" to write these principles more clearly into the EU treaties, perhaps at the inter-governmental conference that starts next month, or into a EU Council of Ministers declaration.

This is hardly the major EU constitutional revision that Mr Juppé seemed to be seeking, when he backtracked from his promise on nationwide television in December to entrench the French concept of public service in France's own constitution - one of his peace overtures to end that month's devastating strikes.

As to the organisation of French public services, the report calls for more competition. Far from being a constraint, Europe can "contribute to triggering changes which in the long run will benefit the entire country".

Given the fundamental contribution public services can make to an economy's competitiveness, restructuring could "create eventually more jobs in the rest of the economy than are abolished within the [public service] operators".

Such organisational reforms will not be easy, the report warns, and will require "considerable political courage".

Urging a flexible sector-by-sector approach, the Saint-Marc report suggests "a very competitive" structure for telecommunications, made inevitable by the rapid innovation in alternative infrastructure that can bypass national monopolies.

However, it also suggests the maintenance of "a considerable degree of monopoly" in the postal system which, for instance, has to carry out unprofitable mail delivery to rural communities.

The report suggests independent regulatory bodies to supervise deregulated sectors - a possibility already being studied in the context of the

planned privatisation of France Télécom.

But Mr Juppé has still not announced the new regulatory framework for telecommunications that he promised to decide by the end of January.

According to some reports, he is wrestling with objections from his industry and telecommunications ministers who do not want their role diminished by a new agency.

The prime minister's office yesterday minimised these objections and said France would meet its commitments to the European Commission and to the US to have the new framework in place by July 1.

## Dini hampered by political scrutiny

Decision to form a party has made life difficult for caretaker PM, says Robert Graham

The decision by Mr Lamberto Dini to form a political party and fight the forthcoming general elections has placed him in a delicate position as caretaker prime minister.

In agreeing two weeks ago to remain prime minister following the dissolution of parliament, Mr Dini was careful to ensure he had the strongest possible mandate.

But having entered the election campaign as an aspiring politician, the former director-general of the Bank of Italy will be under tight scrutiny for any hint of bias and self-advancement.

Such scrutiny is expected to limit his powers and act as a brake even on normal government business. During 13 months in office Mr Dini has proved adept at heading off conflict and is unlikely to want a confrontation with any of the parties.

The combination of two factors suggests the government risks being virtually paralysed until June - a good six

weeks being allowed for the formation of a new administration after the April 21 general election.

The rightwing alliance, headed by Mr Silvio Berlusconi, the former premier, has been sharply critical of Mr Dini's move into the political arena at the head of an as yet unnamed centrist group.

The alliance is angry that Mr Dini revealed his electoral ambitions - with his sights on becoming the prime minister after the elections - a week after he had agreed to remain as a neutral caretaker.

Despite Mr Dini's protestations of independence, the right sees him as linked to the centre-left which supported him in parliament over the past year. Furthermore, as prime minister, Mr Dini will enjoy an unfair high public profile every day, argue Mr Berlusconi and his colleagues.

This could be especially delicate when Mr Dini acts as host to other EU

leaders at the opening of the inter-governmental conference in Turin at the end of March.

Mr Gianfranco Fini, leader of the rightist National Alliance and the most overtly critical of Mr Dini, yesterday warned the prime minister not to tamper with any legislation, especially that concerning media coverage of the elections.

Mr Fini also warned him against making appointments to sensitive posts in the administration or state-controlled companies. Between now and May a number of important appointments come up for renewal.

These include the boards of Stet, the state-controlled telecoms group due to be privatised, Enel, the state electricity company also due for privatisation, and Eni, the partially privatised national oil group.

In agreeing to remain prime minister two weeks after having formally resigned on January 12, Mr Dini was

careful to obtain the power to make such nominations.

In particular the power to make appointments at Stet, Enel and Eni is essential both for the nature and pace of privatisation.

It is also important that the government try to broker agreement on the nomination of people to run the electricity regulatory authority, and work out the terms for a similar authority for telecoms.

But in the current climate any major appointment risks controversy. This makes it unlikely that the Stet privatisation will be possible before the summer - considered the window of opportunity for international investors before being crowded out for the rest of the year by the prospective sell-off of Deutsche Telekom. IRI, the state holding company, has been relying on the Stet sale to reduce its debts in line with agreements established in 1993 with the EU.

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مكتبة النجف



# Aznar rides high on strategy to shift right into the centre

To González's dismay, the leader of the Popular party appears to have won the middle ground, writes Tom Burns

Against a montage of fascist-style rallies, snarling guard dogs and a polluted industrial wasteland, a Spanish Socialist party television election broadcast proclaimed: "The right does not believe in this country... it looks to the past and opposes progress... it is not the solution, it is the problem."

Another, shown on a Catalonia television channel, shows clips of former Franco directing a battle in the 1936-1939 Spanish Civil War. The narrator who does not mention any names, explains that "Spain has experienced many rightwing governments... and between 1939 and 1976 it endured a totalitarian dictatorship."

The two broadcasts reflect the view held by Mr Felipe González, the prime minister, who is trailing in the opinion polls for the general election to be held on Sunday, that the centre-right leader Mr José María Aznar has a secret agenda to undo the liberties and the welfare state built up by his 13-year-long Socialist administration.

Mr Aznar is well aware that his Popular party narrowly lost the last general elec-

tion in 1993 because the Socialist party ran a similar scare campaign and because Mr González warned Spain's 7m elderly, nearly a quarter of the electorate, that their pensions would be slashed under a PP government. "They were using a single bullet gun then," he said later. "That was their final shot."

Convincing PP wins in the 1994 European parliament elections and in municipal and regional elections last year, together with the evidence of opinion polls for the general election suggest that Mr Aznar is right.

The PP leader is, however, leaving nothing to chance. The party's electoral platform is tough on law and order, especially where terrorists and drug traffickers are concerned but it also cares about individual freedoms and about the elderly and disadvantaged. Pensions, it promises, will remain indexed to inflation.

What is more important, Mr Aznar, who is looking increasingly confident on the campaign trail, says that the PP is a "centrist" party that intends to "turn a new page" in contemporary Spanish history by leading the "second transition". This is the sub-title of the book *Spain* in which Mr Aznar sets out his political principles.

The "first transition" was led, a year after Franco's death, by Mr Adolfo Suárez

and the now defunct Union of the Democratic Centre (UCD) party by closing the chapter on the dictatorship and ushering in representative government.

Mr Aznar, who was still a law student when democracy was restored, believes it is time to take an equally important step forward by consigning what he calls "the years of Socialist abuse and misuse" to the history books.

Mr Aznar was first elected a member of parliament in 1982, the elections that swept Mr González to power, as a member of the Popular Alliance, an unashamedly conservative party which became the main opposition to the Socialists after the collapse of the UCD.

In his book Mr Aznar says he realised as soon as he entered parliament that if the alliance, later renamed the Popular party, was ever to win an election, it had to recover the centre ground that in 1982 had been so ably courted by Mr González. His consuming political passion has been to moderate Spanish conservatism and to reshape the PP into a centrist party.

Soon after becoming leader of the PP in 1989, Mr Aznar contacted Mr Rafael Arias Salgado one of Mr Suárez's closest associates in the UCD years and a former cabinet minister. "Aznar told me what his project was," says Mr Arias Salgado, who

has since become a member of the PP's executive and one of the party's chief strategists. "He wanted to promote younger people who had had nothing to do with Francoism and to bring about a generational renewal in the PP, he wanted to bring former UCD politicians into the party; he wanted to recover the UCD's message and the spirit of the transition."

Last month Mr Aznar hosted a PP national congress that had all the trappings of a US party convention. The theme was "the centre wins" and a succession of speakers hailed the value of the "centre". Mr Aznar was delighted: "I now have the party I like," he told the 3,000 cheering delegates.

The revamped PP combines Christian democrats and "one nation" conservatives, free market liberals and "stakeholder society" theorists, but Mr Aznar keeps the resulting hybrid on a tight rein.

Critics, especially the party veterans who fell foul of the generational renewal, say Mr Aznar is high-handed and has killed off internal debate.

"He chairs a round of opinions, sometimes cutting people off in mid-sentence and then makes his own mind up," says one victim of Mr Aznar's style.

Mr Arias Salgado, who has vivid memories of the internal party fighting that

brought the old UCD down - and allowed Mr González's Socialists in - says that Mr Aznar is in "full command" of the PP and this is just as well. With only limited experience of democracy, domestic voters perceive too much debate to be evidence of divisions and "a divided party gets punished in the polls."

Mr Aznar's key achievement, however, has been to educate the traditionalist Spanish right into realising that if it wants to get the Socialists out it has to forget its Franco-style authoritarianism because the silent majority in Spain has no truck with turning the clock back.

"What really brought the UCD down was that the conservatives couldn't swallow our reformist policies on giving home rule to the regions, on tax and on religious issues such as divorce," says Mr Arias Salgado.

Mr Aznar has, at least so far, kept the conservatives behind him - there is no major party to the PP's right - although he promises to co-operate with regional governments, to clamp down on tax loopholes and to keep existing abortion legislation on the statute book.

Whatever Francoist images the Socialists might conjure up, the PP now looks to most observers like any other European centre-right party.



Aznar: 'the party I like'

## EUROPEAN NEWS DIGEST

### Tax raid on Commerzbank

German tax officials yesterday raided the Frankfurt headquarters of Commerzbank, Germany's third biggest bank, and three other branches seeking evidence of tax evasion through the transfer of funds to Luxembourg and other investment centres.

Some 200 officials searched the bank premises to see if bank employees had given positive assistance to German residents shifting funds abroad to escape Germany's high taxes. Other banks which have been targeted for this reason by German authorities include Dresdner Bank, Hypo Capital Management (HCM), which is part of Bayerische Hypothek und Wechselbank, Merrill Lynch of the US and Norddeutsche Landesbank.

Commerzbank's involvement stems from the theft of a customer account list from its Luxembourg subsidiary by a consultant who tried to blackmail the bank. He was jailed for three years last October, and the list handed by police to tax investigators. It is not illegal for Germans to hold funds abroad, but earnings must be declared for taxation purposes.

*Andrew Fisher, Frankfurt*

### Boycott costs Bordeaux \$200m

Bordeaux wine exports have been severely damaged by boycotts over French nuclear testing in the South Pacific and will take several years to recover, winemakers admitted yesterday. Mr Hubert Bortellier, chairman of the CIVB industry body, said: "The scrapping of wine lists, the cancelling of orders and the postponement of sales promotions have had serious consequences for the weakest of the wine trade."

Mr Francois de Chaxel, a wine trader who is also a CIVB official, estimated Bordeaux would suffer losses of at least FF1bn (\$200m). President Jacques Chirac has said that overall French exports have been unaffected by the boycott calls. The tests ended last month.

*Reuter, Paris*

### Russian bank wins nickel case

Russia's Oneximbank yesterday won an important legal battle in its efforts to assert control over Norilsk Nickel, the world's leading nickel producer, but it is still not clear if the Moscow financiers will win their war with the company's management.

The Moscow Arbitration Court yesterday rejected Norilsk Nickel's bid to have the sale of some of its shares to Oneximbank declared illegal. Oneximbank acquired a controlling stake in Norilsk Nickel last year, under Russia's controversial shares-for-loans programme. But the enterprise's Soviet era bosses have launched a political and legal battle to have the bank's shares revert to full government ownership.

Oneximbank officials hailed the court's decision as a victory. "Justice has triumphed," a bank spokesman said. "Now there is a possibility for legal and constructive work at Norilsk Nickel to begin." But before the court's decision takes effect, the Norilsk Nickel management has a month in which it may appeal to a higher body. If it does so, the enterprise is likely to remain under the control of its existing management for some time.

*Christina Freeland, Moscow*

### Briton dies in Russian shoot-out

A British businessman visiting St Petersburg was yesterday killed by a stray bullet in one of the gun-battles which have become an increasingly common way of doing business in Russia. Mr John Hyden, 40, from the Edinburgh area, was hit when gunmen with sawed-off shotguns burst into the Vienna Cafe, a restaurant inside the Nevsky Palace, one of St Petersburg's top hotels. The intended victim was Victor Gavrilin, a director of a private company which police believe has gangster connections. He was wounded and is "stable" in hospital. Two police officers, acting as his bodyguards, died in the shoot-out.

Mr Hyden, a solicitor, was working with the European Bank for Reconstruction and Development but was not employed by it.

*Christina Freeland, Moscow*

### Belarus banks face takeover

President Alexander Lukashenko of Belarus has stepped up efforts to return banks to state control, pledging to renationalise the six biggest. Speaking to factory workers in Minsk, he said that "in the near future" the government would obtain controlling stakes in six banks: Belagroprombank, Belbimbank, Belpromstroibank, Belvneshekonbank, Priobank and Sberbank Belarusbank.

Mr Lukashenko's economic policies have earned him the censure of western economists and the International Monetary Fund, which this month decided to postpone the second tranche of a \$300m standby loan. But Mr Lukashenko appears unrepentant. He admitted breaking the law earlier this month by taking over the partially private Minsk Inter-bank Currency Exchange and said that he must place the interests of his impoverished citizens before the law or international opinion.

*Christina Freeland, Moscow*

### Hamburg tops EU wealth league

The Hamburg, Brussels and Paris regions are the richest in the European Union while parts of Portugal, Spain and Greece trail badly, the EU's statistics office Eurostat reported yesterday. Hamburg was top of the league for GDP per head with an index of 190 - almost twice the EU average (100). Brussels is second with 182 and Paris-Île de France, which embraces the French capital and suburbs, comes third on 166.

The table, which is based on 1993 figures, puts Portugal's Alentejo and the Azores way behind the rest with an index of only 42. No region in Greece, Portugal or Spain reached the EU average although Spain's Balearics and Madrid came close with 99 and 97. Eurostat said the five new German Länder, which were below the EU average in 1992, were above it in 1993.

*Reuter, Brussels*

### Belarus succumbs to Yeltsin embrace

By Christia Freeland in Moscow and Matthew Kaminski in Kiev

Russia yesterday drew neighbouring Belarus closer into its political and economic embrace as Russian President Boris Yeltsin sought to play on widespread public nostalgia for the Soviet Union.

The Russian leader and Mr Alexander Lukashenko, the fiery president of Belarus, signed an agreement on closer economic ties. Mr Yeltsin also promised to take a further step towards reintegration at the end of next month, when he said that the two Slavic states, together with the Central Asian republics of Kazakhstan and Kyrgyzstan, would sign a major co-operation deal.

Mr Yeltsin's move coincided with a visit to Ukraine by Mr Gennady Zyuganov, the Communist leader who is the front-runner in the contest for the Russian presidency. Less than four months away from the June 16 presidential poll, both politicians appear to have decided that a national longing for the now defunct Soviet Union could emerge as a potent campaign issue.

Mr Yeltsin said "life itself" was bringing Russia and Belarus closer together. In an expression of the increasingly intimate ties between the two states, their presidents reached a debt write-off agreement. The deal writes off Belarus' \$500m bill for Russian natural gas in exchange for money Moscow owed its neighbour for the components of nuclear missiles which had been withdrawn to Russia and dismantled there.

But, as one of the three republican leaders who signed the Soviet Union's death warrant in 1991 by forming the Commonwealth of Independent States, Mr Yeltsin must tread carefully in raising the issue of recreating the USSR.

In an implicit defence of his own record and an attempt to distinguish his platform from the communists, Mr Yeltsin said: "We are not creating the Union of Soviet Socialist Republics that the communists are dreaming about. We are strengthening close links for the good of the peoples of Russia and Belarus."

In Kiev, Mr Zyuganov also tried to balance the vote-winning promise to rebuild the Soviet Union with assurances to Ukraine and the west that, as president, he would not threaten Kiev's independence. Increasingly, western leaders, especially the US, have come to see a sovereign Ukraine as a vital guarantee against the re-emergence of a neo-imperialist Russia.

"Our relations should be close, friendly and strategic," Mr Zyuganov said. "There's a great desire to find a solution to the problems that have arisen recently. Without bringing together Belarus, Ukraine, Russia and Kazakhstan, it'll be impossible for any of us to improve our economic situation."

Ukraine's leftist opposition gave its Russian comrades a warm welcome. But both Mr Leonid Kuchma, the president, and Mr Evhen Marchuk, the prime minister, left Kiev before the communists arrived.

Mr Kuchma has openly backed Mr Yeltsin's bid for the presidency, but on a visit to Washington last week he made clear that he hopes the west will continue to support independent Ukraine even if it comes under pressure from a more nationalist, communist-controlled Kremlin.

### Danes 'pricing themselves out of work'

By Hilary Barnes in Copenhagen

Denmark's generous welfare benefits pose "a clear danger of welfare dependency becoming ingrained in society", the Organisation for Economic Co-operation and Development warns in its annual survey of the Danish economy.

The OECD praises Denmark's "satisfactory position with regard to macro-economic fundamentals". But it questions the sustainability and efficiency of its welfare state and sees high structural unemployment of 9-10 per cent as evidence that "the underlying micro-economic balance of the economy may not be as healthy as the macro-economic one".

The current economic recovery is more soundly based than the early 1980s recovery, says the OECD. "In contrast to previous cyclical upturns, household and corporate financial balances have remained healthy, the domestic demand growth which has underpinned the recovery being based on strong productivity and earnings growth."

The OECD nevertheless urges the government to do more to consolidate the budget position in view of the problems an ageing population will cause in the coming decade.

The report attributes high levels of structural unemployment - defined as not affected by cyclical recovery - to high minimum wages, which make it impossible for workers with low skills to price themselves into the labour market, and generous unemployment benefits, which the report says have removed the financial incentive to work for many.

The report notes that Denmark has a tax burden of 57.1 per cent of GDP (at factor cost, 1992 figure), which is higher than in any other OECD country, and government spending, at 67.9 per cent of GDP, which is higher than in any country except Sweden.

In 1993 more than 57 per cent of the adult population received some form of welfare income, including almost 23 per cent who received benefits directly related to their job, either as unemployment compensation or early retirement benefits.

Denmark needs to proceed "with vigour" to implement a broad-based strategy to increase labour market flexibility if permanent inroads are to be made into unemployment, the report concluded.

The OECD also urged changes in the benefit system, the tax system and the wage structure to enable low-skilled workers to price themselves into jobs.

The short-term economic outlook is set fair, the OECD says, with forecast GDP growth of 3 per cent in 1996 and inflation at 2.5-3.0 per cent.

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هنا امر الازار



NEWS: WORLD TRADE

# China reassures foreign investors on taxes

By John Riddick in Hong Kong  
Chinese finance and trade officials yesterday sought to reassure foreign investors about the impact of tax reforms being implemented this year and claimed success for fiscal measures undertaken since 1994.

The unification of business taxes and the shift to a value added tax base had increased revenues while reducing the overall tax burden on companies, according to Mr Xiang Huiqiang, the deputy commissioner in the state tax administration.

He said monthly commercial and industrial tax revenues had risen from about Yuan18bn (\$2.16bn) prior to the reforms, to more than Yuan30bn last January. The overall tax burden last year was about 5.6 per cent he said, compared with almost 7 per cent before the reforms.

The Chinese delegation visiting Hong Kong acknowledged concerns among foreign investors relating to the next phase of reform - the reduction of tax relief for exports, the suspension of exemptions or reductions in customs duties and VAT relating to imports of capital equipment, and tighter supervision of imports for processing trade facilities.

Foreign investors have expressed concerns about the extra administrative burden involved in the reforms and the increased cost of investment.

Partly as a result, there has been a sharp increase in project applications as foreign investors seek to win approval for projects before the introduction of reforms on April 1. "People have been rushing to catch the last train," said Mr Xiang.

## WTO telecoms deadline stays

The chairman of World Trade Organisation talks to liberalise the \$50bn a year international telecommunications market yesterday ruled out any extension of the April 30 deadline.

Mr Neil McMillan said the talks were at a critical stage but he believed there was now enough momentum to reach a deal by the target date. Some countries favour an extension to allow more time for complex negotiations on regulatory disciplines for liberalised telecoms markets. But others fear a delay would cause the telecoms talks to become dangerously intertwined with slow-moving WTO negotiations on maritime transport due to end in June.

# Foreign carmakers push Japan's opening door

Manufacturers are quick to benefit from customers' changing attitudes and cuts in technical regulations

Next to the office of Mr Mitsuru Sato, president of Volkswagen Audi Nippon, is a room full of charts, logging the progress of the Japanese arm of the German car producer.



Ford yesterday said it expects to increase its car sales in Japan with a new model - a US-built Taurus with right-hand drive and features specifically for the Japanese market. Reuter reports from Tokyo.

Technical standards, rather than having to send cars to a government inspection centre. This is much more than cost benefit. VW, like other importers, has to put imported cars through rigorous quality checks and improvements at its dockside pre-delivery inspection plant. These checks, which add an average 5 per cent to the price, are just to comply with consumers' demands.

Japanese consumers' quality standards. But other barriers to foreigners do remain, says Mr Sato. The most important of these is the high cost of land. This is little problem for companies such as Toyota, for example, most of whose 5,000 showrooms were long ago depreciated in its accounts, but serious for newcomers who have to buy property from scratch.

Sales had fallen from a peak of 55,000 that year to a trough of 25,000 in 1993 after an acrimonious divorce from its former dealer, Yanase. According to Mr Sato's chart, sales picked up by around one-third to nearly 40,000 vehicles last year, and are continuing to grow in 1996.

With Yanase, but has had to delay its 100,000 target until the end of the decade. To bring its cars within reach of a wider market, VW, like other foreign producers, has cut prices by 15 per cent over the past two years, so that its Golf now costs an average of 5 per cent more than comparable Japanese makes, says Mr Sato.

But VW says prices are roughly the same or lower than in Germany. Consumers do not appear to be deterred by VW's prices, judging by the fact that 70 per cent of last year's sales were to people who previously bought Japanese.

As far as meeting official quality and technical standards, Mr Sato argues that Japan is now more or less in line with other leading car markets. Japanese consumers, by contrast, are still uniquely demanding, says Mr Hisashi Kawata, VW's import and distribution manager.

William Dawkins

## EU confident on S Africa pact

The European Commission yesterday expressed confidence that agreement on a mandate for a wide-ranging trade pact with South Africa was within sight despite the failure of EU foreign ministers to agree terms for the pact on Monday night.

France, in particular, has been concerned whether the deal will be compatible with World Trade Organisation rules and the possibility that it could prompt countries with existing agreements to demand the EU match the terms agreed with South Africa.

Caroline Southey, Brussels

## Ruggiero backs corruption drive

Mr Renato Ruggiero, director general of the World Trade Organisation, yesterday gave his backing to a US proposal for the WTO to tackle corruption in government procurement contracts.

Foreign Staff, London

## Telecoms of the US has obtained a communications licence for Zambia to build a digital cellular network, including domestic and international transmittal facilities.

AFK News, Arlington Heights

NEWS: INTERNATIONAL

## S Africa approves economic targets

A South African inter-governmental forum ended a two-day meeting yesterday by setting out a new range of targets for economic development over the next 10 years.

Mr Mbeki, who is taking an increasingly prominent role in co-ordinating economic policy, said a preliminary analysis showed that to reach the 6 per cent growth target by 2000, non-gold exports would have to rise by 10 per cent a year, and be accompanied by substantial private and public sector investment.

He also said the government aimed to provide municipal services to all South Africans by 2005, and double the share of national income received by the poorest 40 per cent of households.

# Iranians set to vote with meaning

Campaigning begins tomorrow in what most observers agree will be Iran's first parliamentary election since the revolution in 1979 the outcome of which cannot be predicted.

## Robin Allen on election without a known outcome



Rafsanjani: would need parliamentary support for economic changes diplomats believe he wants

The complexity of the political equation is made more opaque by the influence and views of Iran's spiritual leader, Ayatollah Ali Khamenei, who, observers believe, would rather have a president without the driving force of either Mr Rafsanjani or the parliamentary speaker, Hojatoleslam Ali Nateq Nouri.

Western diplomats believe Mr Rafsanjani would like to change both economic and foreign policy if he had the necessary parliamentary majority. But he would also need a new and more modern personality in the powerful position of majlis speaker.

US, subject to the cessation of what is seen as US interference in Iran's affairs, as well as other sweeping conditions.

But the MRM is boycotting the elections because it feels the bias of the country is so against its views that it is not worth contesting the poll. This leaves the way free for the JRM group and a recently formed faction, known as the G-16, so called from the original number of its members.

# UN body urges action on laundering

By Ian Hamilton Fazy

The international community has failed to take any concrete steps to co-ordinate the fight against money laundering effectively, the United Nations International Narcotics Control Board says in a report released today.

and drug abuse - says criminals have been able to move their laundering to countries with unregulated or poorly supervised financial sectors because of the disarray. Eventually the drug money involved gets into the legitimate world economy.

The board recommends that all countries sign the 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and amend their laws to implement it, including laws against money laundering and giving courts powers to confiscate traffickers' property.

This reporting system to individuals such as "professions engaged in financial activities and persons engaged in the sale of expensive goods".

Company law should also be amended to make ownership and beneficial control more transparent, the board says. It also wants an international worldwide system set up for reporting seizures of the proceeds of trafficking and for governments to agree to share the proceeds and plough some back into anti-drug agencies.

INTERNATIONAL NEWS DIGEST

## Lebanon army to curb protests

Lebanon's government yesterday ordered the army to take a special role in safeguarding security and stop demonstrations for the next three months.

Reuters, Beirut

## Iraqi oil talks to resume

Talks on the possible sale of up to \$2bn worth of Iraqi oil, mainly to pay for food and medicine, will resume in New York on March 11, the United Nations said last night.

## Cuban doctors arrive in SA

Ninety-six Cuban doctors arrived in Johannesburg yesterday on three-year contracts to alleviate critical shortages of staff at South African state clinics and hospitals.

مكتبة الامم المتحدة



# Abortion not jobs draws voters to Pat

By Jurek Martin in Washington

Mr Pat Buchanan has tripled his support among Republican primary voters over the last month, according to a national opinion poll published yesterday.

The New York Times/CBS survey found him still trailing Senator Bob Dole, the majority leader, by 39-26 per cent, with 12 per cent preferring Mr Lamar Alexander, the former governor of Tennessee and 3 per cent Mr Steve Forbes, the magazine publisher.

The poll also found the main appeal of the former conservative commentator lay more in his uncompromising opposition to abortion and immigration than in his populist economic nationalism, which includes outright protectionism.

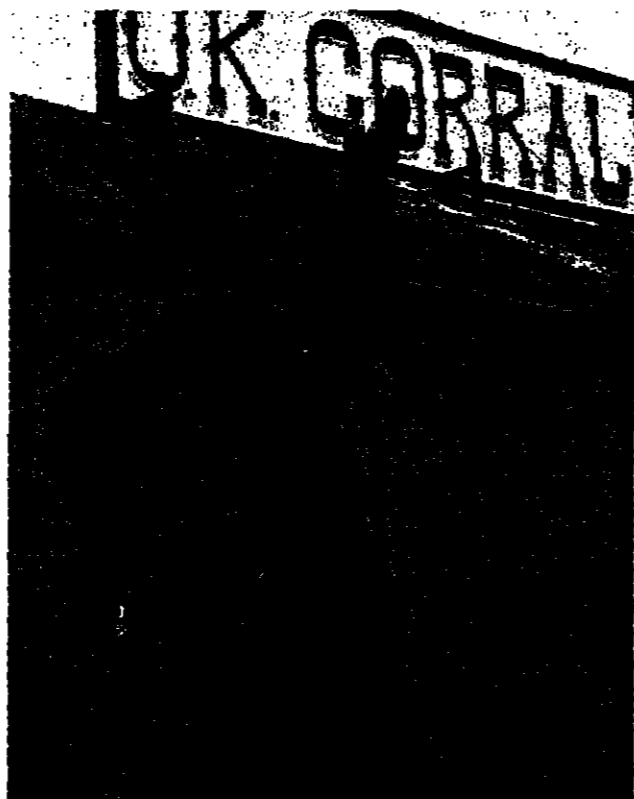
This reflects the composition of primary voters, in both parties more likely to be concentrated in their activists. The religious right, in particular, is turning out in force in the pri-

maries for Mr Buchanan, much to the concern of establishment Republicans.

Though assessed favourably by 29 per cent of the Republicans surveyed, up 10 points in a month, 35 per cent held negative views of Mr Buchanan and 48 per cent thought he could not win a general election.

But the poll confirms what primary voters have already indicated - that he is now a very credible threat to the struggling Mr Dole. The poll also contained bad news for the majority leader. It found he would lose to President Bill Clinton in November by 64-36 per cent, about his widest deficit in any recent national survey, but no questions were asked about a hypothetical Buchanan-Clinton contest.

That finding will encourage Mr Alexander, who repeatedly maintains Mr Dole will be no match for Mr Clinton, but otherwise the poll was hardly reassuring to him. Although



Quick-draw Buchanan at the OK Corral in Tombstone

out of single digits for the first time, nearly 70 per cent said they knew little about him.

The poll was taken before Mr Forbes's victory last Saturday in the Delaware primary, which helped his fading cause, but it also revealed that the more Republicans know about him as a result of his heavy advertising, the less they approve of him. His unfavourable/favourable ratio stood at 39-11 per cent.

# Immigrants become a hot election issue

By Patti Waldmeir in Phoenix



US ELECTIONS voters choose their candidates. The issue of immigration

debate on the most restrictive immigration laws in 30 years.

Down on the border between Arizona and Mexico, the words inscribed on the Statue of Liberty: "Give me your tired, your poor, your huddled masses," seem a distant memory.

Southern Arizona does not want any more huddled masses, and the US Border Patrol, which has recently launched a crackdown on illegal immigration, is deployed in force to stop migrants.

Last month it caught 500 per cent more people illegally crossing the border at the popular spot of Douglas, Arizona, than in January last year.

Southern Arizona businessmen do not necessarily share this popular aversion to newcomers: retailers in Sierra Vista, just north of the border, depend heavily on custom from visiting Mexicans who keep mass-market shops such as Wal-mart and Payless Shoes in business. Sierra Vista is doing nicely with another major down-market retailer due to open shortly. Even the devaluation of the Mexican peso has not depressed business.

But the anti-immigrant

movement - fairly localised and not well mobilised politically - is fuelled by emotion rather than economics. Ultra-conservative voters trumpet their patriotism, and support the abolition of bilingual education (children in local schools are given a choice of Spanish or English for some subjects).

They want English declared America's only official language, and a complete ban on immigration, legal or illegal.

Mere mention of the subject provokes angry outbursts from both proponents and opponents of the populist "America First" movement.

Mr Buchanan used his last campaign appearances on the eve of the poll to try to enlist that emotion in favour of his candidacy. Immigration, which had never been a major issue in Arizona where many farms rely on migrant labour and where social services are not burdened with migrant families, had suddenly become a crowd-pleaser for Mr Buchanan. The Arizona result is one test of the strength of "America first" sentiment. More will follow.

# Defiant Cuba shrugs off sanctions

By Pascal Fletcher in Havana and Michael Littlejohns at the UN in New York

Cuba remained defiant yesterday in the face of a renewed squeeze on its struggling economy from punitive sanctions ordered by President Bill Clinton for the shooting down of two small US civilian aircraft.

The incident on Saturday created a new peak of tension in US-Cuban relations, which had been showing signs of improvement. It also seems likely to tarnish, at least temporarily, the image Cuba is trying to cultivate as a country committed to economic reform, growing foreign investment and better international relations.

Cuban officials publicly shrugged off the measures shrouded by Mr Clinton on Monday. These included the indefinite suspension of charter flights from the US to Cuba and a commitment to reach agreement with Congress on pending legislation to tighten the existing US economic embargo against Cuba.

The suspension of charter flights to Havana, which had recently crept back up to around a dozen a week, was likely to cut off a substantial conduit of cash dollars to Cuba from US-based Cuban exiles. Flows from US-based Cubans through informal channels, including the Miami-Havana flights, were estimated to be at least \$300m a year.

Foreign investment on the island, modest so far but increasingly significant, now faces an increased threat from the pending legislation, called the Helms-Burton bill after its Republican sponsors, which proposes to toughen the US embargo against Cuba.

The United Nations Security Council early yesterday "strongly deplored" the downing of the aircraft by Cuban fighters, while the EU and Canada criticised the disproportionate use of force. The Security Council called for an international investigation into the incident.

# Election year concerns have gone beyond the usual drugs and immigrants, writes Stephen Fidler

# Latin America worries about US reversal on trade

As US Secretary of State Warren Christopher tours five countries in Latin America - the first by anyone in his position since 1988 - the region's sensitivities to US affairs are even higher than usual.

It is Latin America's lot to get involved in the US domestic political debate, particularly in a US election year. Since a large majority of America's illicit drugs and most of its illegal immigrants come from the region, the two issues regularly provide a stick for US politicians to beat Latin American governments.

Now there is another issue - trade. Since the middle of the 1980s, a majority of Latin American governments have unilaterally reduced barriers to trade as part of a shift towards market-oriented economic policies. So when the political debate

in the US shifts towards protectionism, as it has under the influence of Republican would-be presidential candidate Mr Pat Buchanan, Latin American governments get worried.

According to Mr Peter Hakim of the Inter-American Dialogue, a pan-American think-tank based in Washington, the North American Free Trade Agreement between the US, Canada and Mexico has become a "symbol of the mad dash for globalisation", which appears to have left many US workers worried about job security in its wake.

Trade had been one of the issues of greatest agreement between the US and its Latin neighbours. The Summit of the Americas that President Bill Clinton hosted in Miami in December 1994 agreed upon the negotiation of a free trade area of the Americas by 2006. At the same

time, Chile was invited to discuss joining Nafta.

However, Chile's accession to Nafta has been postponed at least until 1997 by the Clinton administration's inability to secure fast track powers from Congress to negotiate trade agreements. Without fast track, Congress can change parts of proposed trade treaties, making negotiations all but impossible.

"I wouldn't be honest if I didn't say that we're frustrated that we have been unable to get fast track authority for the president to undertake trade negotiations, not just with Chile and not just in the hemisphere but around the world," said Mr Alexander Watson, US assistant secretary of state, last week.

Despite continual meetings of trade ministers of the western hemisphere to discuss the nuts and bolts

of free trade by 2006 - the next is in Cartagena, Colombia on March 21 - momentum towards hemispheric free trade has undoubtedly slowed.

Mr Christopher's visit reflects, observers say, an acknowledgement within the administration that it has done little to follow-up on Miami. Mr Clinton is the first US president for at least two decades not to have visited Latin America, the Mexican financial crisis probably putting paid to that possibility.

Beginning in El Salvador, where he promised to present to Congress trade proposals to help the countries of the Caribbean basin, Mr Christopher goes to Chile, Brazil, Argentina and Trinidad and Tobago.

Mr Christopher's visit has been complicated already by one factor: Cuba's shooting down at the weekend of two civilian aircraft. It may

be further complicated by another, on Friday, the date of "certification": the annual announcement of whether, in the administration's view, foreign governments have done enough to combat illicit drug trafficking.

The certification process is a source of great tension between the US and some Latin American governments. "It is hard to understand," said the Mexican government this month, "how the world's major consumer country of illegal drugs can pass judgment on any other nation."

Indeed, says Mr Hakim: "There are some years in which the US might not be able to meet its own standards of certifiable performance."

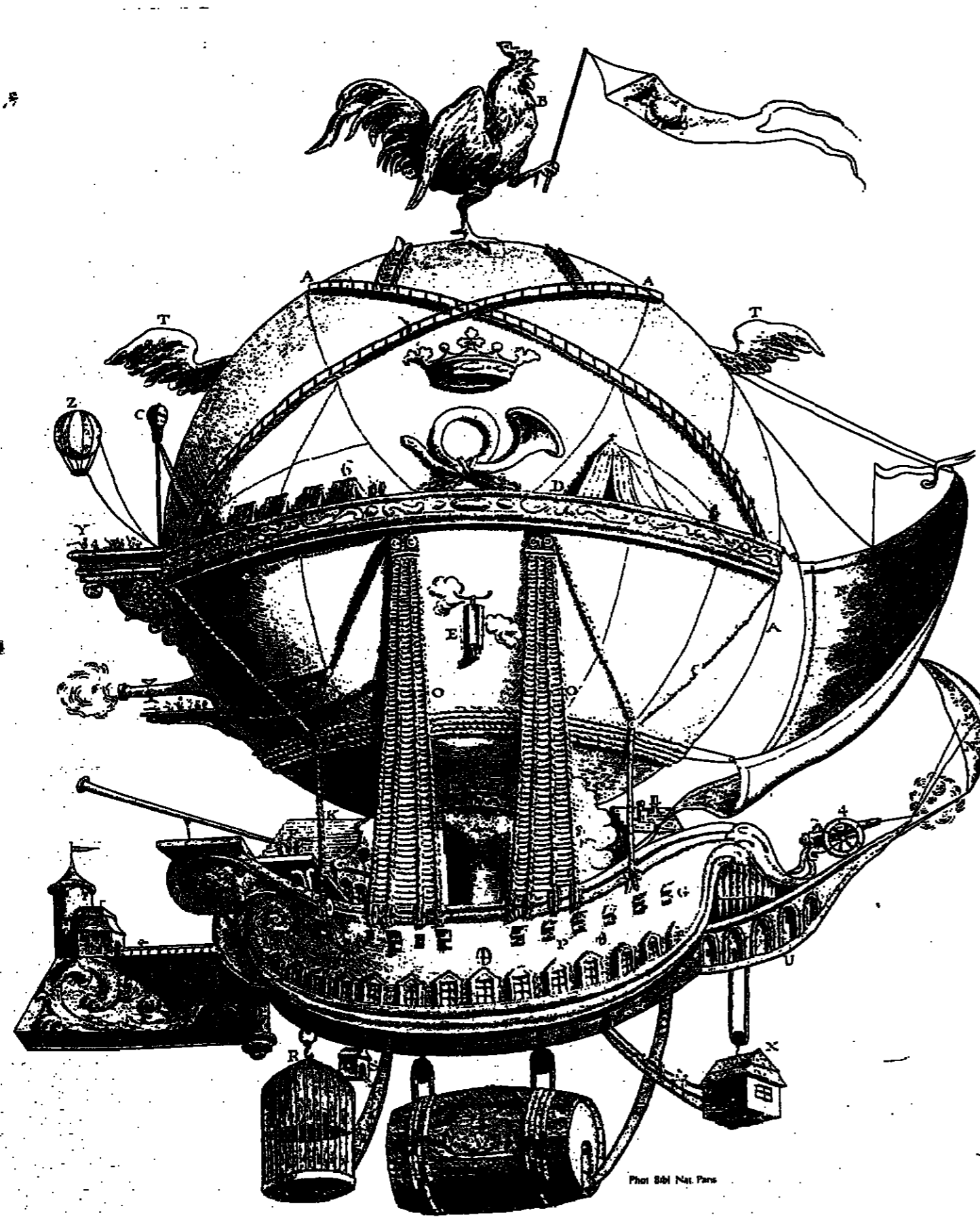
Last year, Colombia, Bolivia and Peru were denied certification - but with waivers which meant sanctions

such as US vetoes for loans in the multilateral development banks would not be applied.

This time the US State Department is understood to have recommended that Colombia be denied certification without a waiver, and Mexico also - but with the waiver applied. This has been the subject of internal debate within the administration, with the Treasury arguing that Mexico's de-certification would increase its difficulties in recovering from financial crisis.

As Colombia's President Ernesto Samper fights claims he used drugs money in his 1994 election campaign, de-certification is bound also to be interpreted throughout Latin America as unwarranted interference in that country's internal affairs.

Two countries inside one, Page 10



Phot. 804 Nat. Park

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# India urged to reduce fiscal deficit

By Mark Nicholson in New Delhi

India's Finance Ministry warned yesterday that prospects for economic stability would be "bleak" without a "significant and sustained" cut in the government's fiscal deficit and deeper public sector reforms, advocating that sales of public enterprises be "pursued aggressively".

The Economic Survey, the ministry's detailed annual economic review, also argued that without "major improvements" in basic infrastructure, the country's recent agricultural, industrial and export growth were at risk.

It said policies, institutions and procedures in the sector required reform along with creation of independent regulatory authorities to attract needed private investment into infrastructure.

The survey, which reflects Finance Ministry thinking rather than government policy, said the Indian economy was set to grow by 6.2 per cent for the current fiscal year, against 6.3 per cent in 1994-95, calling this a "remarkable achievement" given India's severe economic crisis in 1991.

The survey also said the country's savings rate to 24.4 per cent for this year. The survey is traditionally tabled on the eve of India's budget, and Mr Manmohan Singh, finance minister, will today present an interim budget for the first quarter of the fiscal year starting April 1. The government ruled out a full budget given the proximity of elections, expected in April.

Oddly, the survey sidestepped tradition by not offering an



Singh: interim budget today

estimate for this year's fiscal deficit, which is expected to overshoot a budgeted 5.5 per cent of GDP.

The government this year raised a fraction of an expected Rs70bn (£1.25bn) from public asset sales, but the survey said tax revenues have proved more buoyant than budgeted, with personal and corporate tax receipts up 27.6 per cent for the first nine months of the year.

The survey said the economic performance had been led by strong industrial growth, expected to exceed 10 per cent for the fiscal year, with exports rising 24 per cent over the first nine months. Imports rose 29 per cent and the survey said India should record a "sustainable" 1995-96 current account deficit of \$4.8bn or 1.5 per cent of GDP.

The survey also said the rupee's sharp depreciation since August was an "appropriate" correction to ensure export competitiveness.

# Capital flow hits Taiwan payments balance

By agencies in Taipei

A \$6.77bn net capital outflow from Taiwan last year, following rising tensions with China, led to a record balance of payments deficit and calls yesterday by Mr Lien Chan, the Taiwanese premier, for talks to calm nervous investors.

Taiwan's annual balance of payments plunged to a \$3.93bn (£3.55bn) deficit in 1995, from a surplus of \$4.62bn in 1994, the Central Bank of Taiwan announced. Officials blamed heightened political tension after China accused Taiwan of pushing for

separate diplomatic status. Taiwanese began to send money abroad last summer when China launched two rounds of menacing missile tests that rattled Taiwan's financial markets. Capital outflow reached \$3.19bn between July and September, but dropped to \$4.21bn in the fourth quarter, because China did not follow up with further military moves, officials said. The country had a net capital inflow of \$563m in 1994.

"We sincerely hope that the two sides of the Taiwan Strait can quickly resume talks on substantive issues," Mr Lien told a meeting of Taiwanese businessmen. He said once talks resumed, the government in Taipei could negotiate with China on ways to protect Taiwanese investments in the mainland and on the security of Taiwanese businessmen there.

He said Taiwan had made economic and trade exchanges its main policy towards China, and the government would do all it could to see the interests of Taiwanese traders in China were taken care of. But some businessmen at the meeting said recent remarks by President Lee Teng-hui that Taiwan was not afraid of China and would retaliate

were too provocative, and would only help fuel cross-strait tensions. Also at the meeting Mr Hsu Chun-ta, vice chairman of the Association for Taiwanese-Invested Businesses in Fuzhou, the capital of China's Fujian province, said Taiwanese businessmen had been assured by both the local and central government that China would not attack Taiwan. Authorities in China had also given assurances that they would help protect investments there, he said. Taiwanese businessmen have so far invested more than \$24.2bn on the mainland, Mr Lien said, adding that

# Fear of Beijing fuels Asean arms spending

Worries that build-up will destabilise region are probably unfounded

The arms merchants warning about the air shows and defence seminars in south-east Asia are earning their keep. Last year south-east Asia overtook the Middle East as the world's third largest weapons market after the US and Europe, buying over \$9bn in weapons - 22 per cent of world sales.

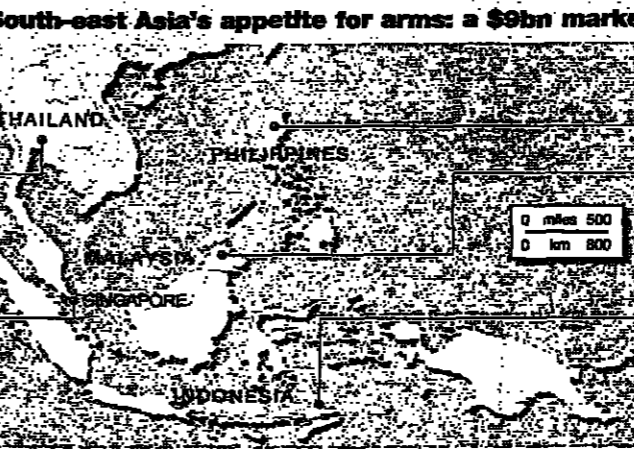
This spectacular shift into high-tech long-range aerial and naval capabilities, including talk by several countries of acquiring modern submarine fleets, is often dismissed as an inevitable outcome of the region's economic success. But it is leading many to claim that Asean is on the brink of a dangerous arms race.

Thailand's request to the US government for 16 F/A-18 jet fighters equipped with advanced AIM-120 air-to-air missiles has brought this concern across the Pacific to the US Congress, which must approve the sale.

While the issue of nuclear proliferation in east Asia will be on the agenda of the EU-Asia summit in Bangkok later this week, the build-up of conventional arms is not expected to be raised.

On a visit to Bangkok last month, Mr Winston Lord, US assistant secretary of state, was not optimistic. Noting that no other country in the region had such missile technology, Mr Lord said: "We want to help Thailand with legitimate defence needs but we also have proliferation concerns with respect to certain advanced

Country	1995	1996
Thailand	900	1,700
Philippines	150	420
Singapore	NI	23
Malaysia	1,350	1,400
Indonesia	60	126
Vietnam	96	54



Tanks and armoured vehicles	173	591
Rocket systems/artillery over 105mm	200	390
Air defence missile launchers	NI	NI

Tanks and armoured vehicles	725	1,075
Rocket systems/artillery over 105mm	120	160
Air defence missile launchers	NI	60

Tanks and armoured vehicles	650	950
Rocket systems/artillery over 105mm	230	250
Air defence missile launchers	NI	180

missiles and the potential competition in this area."

Perhaps more surprisingly, Mr Syed Hamid Albar, the defence minister of Malaysia - which purchased 20 Hawk jet fighters from Britain, 18 Russian Mig-23s and 8 US F-16s over the last three years - voiced fears earlier this month that the arms build-up threatened to destabilise south-east Asia.

Speaking in Kuala Lumpur, Mr Albar said Asean should draw up a code to distinguish between defensive and provocative military acquisitions. This would prevent a slide into a "confidence-destroying" spiral.

Defence analysts point out that many of Asean's seven

members have boosted defence spending by more than 50 per cent since 1985, with Singapore - at almost 90 per cent - leading the pack.

However, most of them say the biggest threat to regional security is perceived to come from China rather than from within the region.

Beijing's "blue-sea" naval ambitions and its assertive claim to the Spratly Islands in the South China Sea and Indonesia's Natuna gasfield off Borneo have sent shivers down Asean members' spines.

China's short-lived occupation last year of a portion of the Spratlys claimed by the Philippines was taken by many as a portent of worse to come. These include the need to fill the gap left by the US when it

thought to be rich in mineral reserves, and also claimed in part or whole by Vietnam, Malaysia, Brunei and Taiwan.

"The most likely scenario for conflict over the next few years is probably some sort of naval skirmish between China and one of the Asean claimants to the Spratlys," said Mr Herman Kraft at the Institute for Strategic and Development Studies in Manila. "It is difficult to envisage actual military conflict between any Asean members."

Analysts say there are also trends behind the region's defence spending spree that are much less dramatic than either China or an arms race. These include the need to fill the gap left by the US when it

withdrew from its Philippine military bases in 1992; a change in military doctrine from counter-insurgency warfare to conventional military operations; the attempt to combat pirates and illegal fishing in south-east Asian waters; and the need to replace outdated hardware from the 60s.

Mr Derek da Cunha, a defence expert with the Institute of South-East Asian Studies in Singapore, says that talk of an arms race is too alarmist. "The type of weapons and the timing of the purchases in the region doesn't point to that," he said.

Disagreements over whether the arms build-up constitutes legitimate modernisation or a departure from recent history

are unlikely to be resolved. Countries such as Singapore, which has not forgotten the military pogroms against its fellow overseas Chinese in Indonesia 30 years ago, and Thailand, which has kept a wary eye on Burma's recent military successes, are not however, taking any chances.

Analysts predict that average Asean defence expenditure will rise by 2 per cent a year in real terms over the next decade. The prospect of the region being home to 22 submarines, more than 1,000 jet fighters and remotely piloted vehicles backed up by high-altitude air defence systems and controlled by electronic warfare systems is within reach.

Unexpected flare-ups could boost that figure. "China's decision [last month] to buy Su27 jet fighters off Russia is not likely to result in a slow-down of Asean defence spending," said Prof Julius Caesar Parrenas at the University of Asia Pacific in Manila.

"Whether the planes are intended to threaten Taiwan or not is neither here nor there. The fact that China is building up its long-range strike capability is likely to add to south-east Asia's feeling of insecurity."

Edward Luce and Ted Bardacke

## OBITUARY: LAURIE CONNELL

# Brash banker at centre of '80s deals

By Nikki Tait in Sydney

Mr Laurie Connell, one of Australia's brash millionaires in the mid-1980s whose Rothwells investment bank collapsed after the 1987 stock market crash, died early yesterday.

A colourful but controversial Perth-based businessman who would have been 50 on April 2, he was rushed to Fremantle hospital overnight after suffering a heart attack. He was declared dead shortly after arrival.

Mr Connell, the son of an Irish bus driver, shot to fame in the 1980s, when his investment bank was heavily involved in funding and organising transactions for a number of prominent Western Australian

entrepreneurs. Rothwells was at the centre of a wave of leveraged deals which propelled Perth on to the international financial map, with one of its biggest clients being Mr Alan Bond.

Mr Connell's wealth at one stage was estimated to stand at A\$300m (£147m), and he went into the record books when he made the biggest racing bet in Australian history, winning A\$3bn.

But after 1987 Rothwells' financial situation quickly became untenable and it was liquidated in 1988. Legal action followed, and in 1989 Mr Connell was charged with publishing false Rothwells accounts.

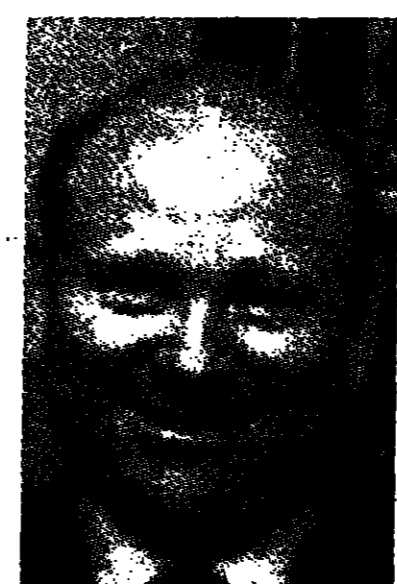
Allegations that he defrauded company investors were added later.

Quite separately, in 1992, the high-spending businessman was also charged with fixing a horse-race - the 1983 Bunbury Cup. After a highly publicised trial, he was found not guilty of that charge, but was convicted on the grounds that he conspired to pervert the course of justice. He served part of a jail term before being released on parole. At the time of his death, Mr Connell was still defending himself against some 70 charges of breaching the Australian companies code in relation to Rothwells.

News of his death brought a mixture of tributes and criticism from erstwhile associates during the heady days of the late 1980s. Mr Bond, who

is also facing charges related to the running of his now-collapsed Bond Corporation, told ABC Radio that Mr Connell's achievements had overshadowed his errors. "Over a lifetime of knowing someone, their good points far outweigh their bad points," he said, in an emotional interview. "I count him as a friend of mine... I was very close to him."

But there was a more restrained response from Mr Warwick Fairfax, who paid Mr Connell a hefty A\$100m fee for advice on the ultimately disastrous leveraged buy-back of the John Fairfax newspaper empire. Mr Fairfax reportedly said that he was sorry to hear the news, but did not wish to comment further.



Connell: at centre of 1980s deals

# Murdoch rugby super league banned by court

By Nikki Tait

Australia's federal court yesterday banned Mr Rupert Murdoch's News group from starting a breakaway rugby league - to be called Super League - this season, and said it could not use players which it had signed up but who had previously been contracted to the Australian Rugby League (ARL) clubs in any competition worldwide.

The orders apply until further notice. However, Justice James Burchett will hear submissions from both News and

Opinion polls in Australia have continued to give a lead to the opposition Liberal-National coalition, but by varying margins, Nikki Tait writes from Brisbane. A poll in The Australian yesterday showed the coalition's lead widening to 54 per cent against Labor's 46 per cent. But another poll in the Bulletin magazine showed support for Labor rising to 49 per cent with the coalition down to 51 per cent.

the ARL about the length of time that the restrictions should be enforced after 1996 next week. The ARL has been asking for an injunction until the year 2000. After the ruling, Mr Lachlan

A buoyant and impassioned Prime Minister Paul Keating told a rally in Brisbane that Labor could win. "We can win this election. The Liberals started with an 11-point lead and we are catching them up." Down the road, Mr Howard was almost daring to believe in victory. "There is a sense of anticipation," he told supporters. Lex, Page 12

He added that News would be appealing against the court's decision, announced on Friday, which found that News acted dishonestly in wooing players and clubs from the existing ARL competition. It

would also be seeking a stay of yesterday's orders. "If this is granted the Super League competition will still be starting this year," he said - although this looks a remote possibility at present.

The ARL has called a meeting of all 20 clubs today - including those which had switched allegiance to Super League - but concedes that it is uncertain over how quickly a full 20-club competition can be resurrected.

The battle between News and the ARL started almost six months ago, when the media

group started luring both players and clubs from the existing ARL competition. Subsequently, it also won support from both the New Zealand and UK organisations for its new league.

In the courts News claimed the existing "loyalty" agreements between Australia's 20 local clubs and the ARL had been a breach of the Trade Practices Act, while the ARL made a counter-claim, asserting the early releases given by the breakaway clubs to players seeking to join News's Super League were not legal.

## ASIA-PACIFIC NEWS DIGEST

# Manila switches boat people line

Manila yesterday appeared to reverse a decision two weeks ago to let the country's 2,700 Vietnamese refugees stay. The move, which puts the Philippines back in line with a regional accord to repatriate all Vietnamese refugees by June 30, came after government officials apparently had persuaded the Roman Catholic church that integrating the boat people into Philippine society would be too expensive.

Mr Domingo Siazon, foreign secretary, had said of the decision to keep the boat people, that the Philippines was "very kind and more humane" than some of its Asian neighbours. Edward Luce, Manila

# Tougher tax collection urged

Philippine officials said yesterday the International Monetary Fund - which is conducting a quarterly review of the country's three-year IMF "exit" programme - had urged the government to professionalise its tax collection bureau. Fewer than 10 per cent of wage-earners pay taxes. The IMF's hand is likely to be strengthened by figures published this week showing very few dollar millionaires paid more than \$10,000 in taxes last year. At 16 per cent of national income, Philippine tax revenue is considered too low. The government has pledged it will push a more extensive tax system through congress this year. Edward Luce, Manila

# Japan 'tainted blood' admission

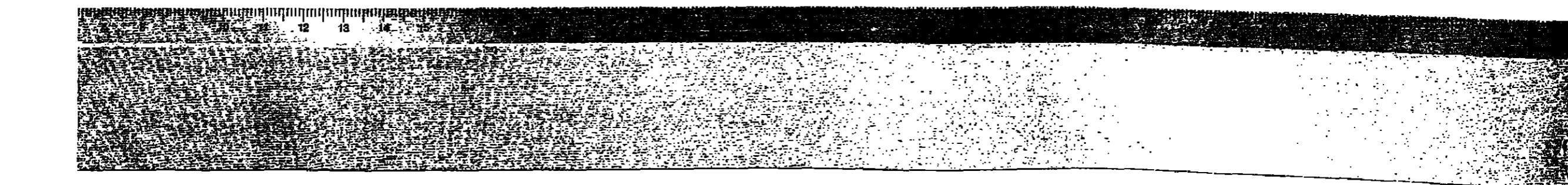
Green Cross, one of five drug companies ordered by Japanese courts to compensate haemophiliacs who contracted HIV, the virus that causes Aids, through using untreated blood products, yesterday admitted that it had shipped untreated products even after the government had ordered the recall of the tainted products. The revelation follows Health Ministry accusations that the company submitted false shipment reports. Mr Masayuki Nishida, senior managing director of Green Cross, said that it had continued to ship untreated products at the request of doctors because of the scarcity of treated blood products. Emiko Terazono, Tokyo

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مركز الأبحاث



# Employers face race guidelines for recruitment

By Andrew Bolger, Employment Correspondent  
The government has asked the Commission for Racial Equality to help it draw up guidelines so that employers do not adopt discriminatory recruitment practices in response to new immigration legislation.

Miss Ann Widdecombe, the minister at the Home Office responsible for immigration, yesterday acknowledged concern that the government's controversial asylum and immigration bill would lead to some employers "playing safe" when recruiting new staff.

Under the bill, employers will for the first time be guilty of a criminal offence - and face fines of up to £5,000 (\$7,700) - if they employ an immigrant who does not have valid leave to remain in the UK.

Confederation of British Industry conference in London that she appreciated the importance of employers having available appropriate guidelines.

"The scale of illegal working in this country is substantial and the problem is increasing," she continued. "Although its precise scale is uncertain, we do know that in 1994 the Immigration Service detected over 10,000 people who were working here illegally. In 1988 the comparable figure was fewer than 4,000."

She said Britain was not alone in tackling illegal working. "It is an anxiety shared by most of our European colleagues, who already have measures in place which aim to address it."

## UK NEWS DIGEST

### Emu deadline 'unsafe' says PM

Mr John Major, the prime minister, yesterday issued his most impassioned warning to date about the danger of proceeding with a single European currency on the current launch date of 1999. Mr Major said in the House of Commons he thought there were "many countries in Europe which believe the single currency would be good for Europe". He believed that might be true "at some stage in the future" but the "timescales set out at present are not timescales that can safely be met".

Mr Major has for the past nine months been conducting a high-profile campaign to persuade heads of European Union governments of the danger of adhering to the monetary union timetable if only a few member states are in a position to join.

# IRA agrees to stay away from bomber's funeral

Financial Times Reporters in London and Dublin  
The Irish Republican Army and Sinn Féin, its political wing, will not attend the funeral today in south-east Ireland of the 21-year-old IRA member killed in the London bus bombing, republican sources in Dublin indicated yesterday.

Edward O'Brien will be buried at the Roman Catholic Church at which he once served as an altar boy. A London inquest heard that he died in a bus in the capital on February 18 as he was being held up to leave the bus.

# Gambling industry rules to be relaxed

By David Blackwell in London  
The government yesterday cleared the way for 13 new UK casinos as it announced plans to relax gambling industry rules. Britain has 119 casinos.



Greenhills chairman Anthony Alderton in the auditorium of the New Gallery yesterday

# Films give way to Rick's bar

By Roderick Orm, Consumer Industries Editor  
For 40 years one of London's largest cinemas and a gem of the 1920s architecture has lain untouched and hidden from public view across Regent Street from Garrard, the Crown Jewellers.

Gallery will reopen to the public as a restaurant on a film theme with all its original features intact. The auditorium still has an elaborate 80m Grecian frieze running around it. In a early form of air conditioning, the glass dome opens to expel cigarette smoke.

Greenhills, a small leisure company, last week secured a 25-year lease by promising that its Dream Factory would leave the building largely untouched by building replica film sets within it.

# Relations between parties turn sour

By John Kampfer at Westminster  
Relations between the British government and Northern Ireland's largest political party appeared at breaking point last night as the UK and Irish prime ministers made a final attempt to narrow differences ahead of a planned summit today.

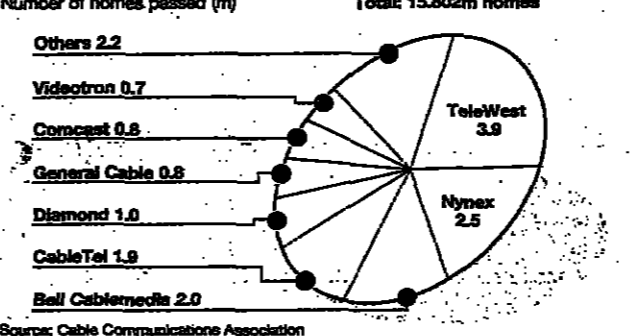
Scott report. In the event, the nine UUP MPs voted with Labour and the government's majority of one was secured only with the abstention of the three MPs of the smaller Democratic Unionist party.

# Cable adverts to cost \$18.5m

By Christopher Price in London  
The usually fragmented cable industry came together yesterday to launch its first national advertising campaign at a cost of \$18.5m (\$18.5m).

The move comes amid growing concern among cable companies over their failure to attract more television and telephone subscribers. While more than 5.5m British homes are able to receive cable, only 1.1m have opted for connection and penetration rates have stuck at little more than 20 per cent.

## Laying down cables



## Transport boost for City

The government yesterday gave the go-ahead for a largely private sector funded \$650m (\$1bn) programme to increase rail transport through the City of London. The long-awaited clearance for Thameslink 2000, which will expand north-south rail links through London, was given after Railtrack, the network company soon to be privatised, agreed to shoulder \$500m of the construction costs.

## Warning on US patents

UK biotechnology companies risk losing patent fights in the US because one in 10 companies does not record its research in notebooks and a further 28 per cent fail to sign and date them. US patents "are ultimately granted on the basis of 'first to invent'", says a report published today. It was commissioned by the Confederation of British Industry's Biotechnology Forum and law firm Nabarro Nathanson.

## Cummins workers to fight

Workers at the Cummins engine plant at Shotts in Scotland may strike as part of their campaign to fight the closure of the factory, which the company unexpectedly announced last week. About 600 of the 700 employees at the plant voted unanimously to fight closure "by whatever action is necessary".

# One-vote victory allows Conservatives to stagger on

By John Kampfer at Westminster  
The ramifications of the 320-319 vote in the House of Commons on Monday night will go beyond the ability to cling to office of two ministers criticised in the Scott report.

For most of the debate members of the cabinet sat slumped on the front bench. Mr Robin Cook, the opposition Labour party's shadow foreign secretary, delivered what was widely regarded as one of the most perspicacious Commons performances in recent years.

Not allow to be healed. The consequences of defeat in the debate would have been extremely damaging. Although victory in a confidence motion was all but assured, such a vote would have exposed the fragility of Mr John Major's tenure on power.

gradual improvement in the government's electoral fortunes. Nevertheless, the parliamentary arithmetic is alarming. The decision by Mr Peter Thurnham last week to resign the Conservative party whip has reduced the party's majority in the House of Commons to two.

parties in the Commons, the Democratic Unionists, took the unusual step of abstaining. The traditionally more loyal Ulster Unionist party voted en bloc with the opposition.

Had the government lost the vote on Monday, an early summit between Mr John Major and Mr John Bruton, the prime minister of the Republic of Ireland, would have been almost impossible to arrange.

## Power ebbs away from John Major

Date	Event	Majority in Commons
1992	General election	21
1993	Two Conservative MPs die and their seats are captured by opposition	17
1994	Two MPs die and their seats are lost; seven Tory Euro-rebels are deprived of party whip	4
1995	MP dies	3
Feb	Most Euro-rebels regain whip	10
Apr	MP dies; by-election lost	8
July	By-election lost	7
Oct	MP defects to Labour party	5
Dec	One MP dies; another defects to Liberal Democrat party	2
1996	Last Euro-rebel reinstated	4
Jan	Conservative MP resigns whip	2

Advertisement for Generale Bank Group featuring a large '50cm' graphic, a map of Europe, and contact information for Paris and Brussels. The text includes: 'For more information on the international G-account and G-Cross-border Line, contact your European Desk Manager. Paris: Tel: (33) (1) 42.80.89.25 Brussels: Tel: (32) (2) 565.47.05 Fax: (33) (1) 42.85.80.80 Fax: (32) (2) 565.20.63' and the logo 'Generale Bank Group Your business partner in Europe and beyond'.



BUSINESS AND THE ENVIRONMENT

Prospects of a fibre shortage are forcing action by manufacturers, write Bernard Simon and Christopher Brown-Humes

# Wet look in dry cleaning

Should the dry cleaning industry switch to alternative techniques? Environmental campaigners, concerned about the toxicity of dry cleaning solvents, are convinced it should. But large parts of the industry argue that no suitable alternative is available.

The argument is illustrated by the differing views provoked by Aquatex, a water-based cleaning technique developed by JLA, a Yorkshire-based laundry and cleaning equipment manufacturer.

This system uses a combination of chemicals to clean and protect the fabric. The temperature and degree of agitation required for each fabric are carefully controlled using a microprocessor.

JLA says its system works well, even for delicate fabrics that cannot usually be washed because they are damaged by water and mechanical action.

The JLA process incorporates high molecular weight polymers that coat the fibres and penetrate the crevices between them to prevent excessive movement and entanglement.

The system is endorsed by Greenpeace, the environmental campaign group, because it does not use perchloroethylene, known as "perc". This is considered by the US Environmental Protection Agency to be a hazardous air pollutant and a potential carcinogen.

The JLA system has also had good reviews from the British Textile Technology Group, an independent textile testing house, which found that Aquatex worked well on a wide range of fabrics. It even coped successfully with wedding dresses and very delicate garments, such as a silk dress covered with beads and sequins.

But the Textile Services Association, which represents UK dry cleaners, is unenthusiastic. Simon Rawlins, a director, says the evidence linking perc and cancer is weak. Moreover, TSA members have found that aqueous systems cannot cope with certain fabrics and stains.

Vanessa Houlder

# Wood supply's stunted growth

Is the world's forest industry running out of wood? Pulp, paper and lumber producers are sufficiently concerned that several European and North American chief executives met privately during the Canadian Pulp and Paper Association's annual conference in Montreal last month to discuss "fibre supply".

"Only a few eccentrics were interested in wood supply three or four years ago," says Tony Rotherham, the association's director of woodlands. "But it has become a mainstream industry concern."

The spectre of wood shortages was widely cited as one factor behind galloping pulp and paper prices between early 1994 and last summer. Northern bleached softwood kraft pulp, the industry's benchmark product, soared from \$390 (£255) to a peak of \$1,000 (£649) a tonne. North American and Scandinavian mills were so desperate for wood that they imported pulp logs from Chile and Alaska.

Several North American paper producers have moved in recent years to secure raw material supplies by buying saw mills and the cutting rights to surrounding forests. US-based International Paper gained a valuable source of timber last year for a planned foray into the fast-growing Asian market by buying control of Carter Holt Harvey, New Zealand's biggest forest owner. Avenor, a Canadian producer, bought two Quebec saw mills to ensure long-term wood supplies for a nearby newsprint mill.

The pulp and paper industry's concern is whether mills will continue to have access to the right

trees in the right places. Robert Hagler, a Virginia-based consultant, told a Pulp and Paper Week conference last summer that "a sharp divergence between the volume of timber that is 'physically available' for industrial purposes, and the volume that will 'actually' be available has emerged."

The trend is especially evident in North America (see chart). Pressure from environmental groups has led governments to tighten forestry practices and set aside tracts of forest as parks and wildlife reserves. For example, British Columbia is doubling the area of protected forest to 12 per cent of the province's land area.

A 1994 study for British Columbia's Council of Forest Industries forecast that supplies of coniferous species in Canada would shrink by 23 per cent, or 40m cu m, between the peak in 1987 and 2010.

Hagler says: "Despite physical surpluses, the availability of timber for industrial purposes is extremely limited... It would seem that North America will begin to experience the realities of a limited resource environment."

The alternatives for the forestry industry are few. High transport costs are likely to limit Siberia's vast forests of commercial reach for years to come. The steady expansion of peasant farmland has shrunk tropical hardwood forests in developing countries such as Indonesia, Haiti and Mozambique. Pessimists also point to rising demand for wood and paper products in fast-growing economies, such as China and India,

which could further increase the pressure on supplies.

However, the forestry industry has been remarkably resourceful.

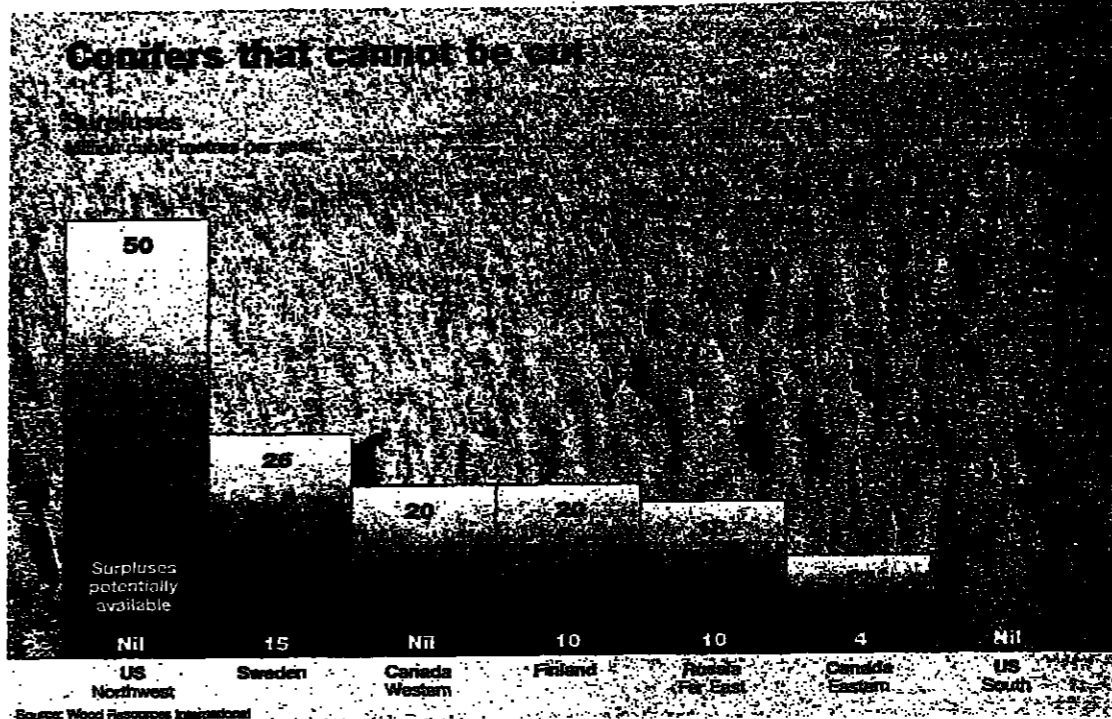
Plantations have to a significant extent replaced old-growth forests as a raw material source. The Swedish Forest Products Association estimates that plantations now make up 99 per cent of world raw material supplies for pulp and paper mills. Original forests account for only 17 per cent. The rest comes from secondary forests where new trees have grown to replace original ones.

One of the best examples is New Zealand, whose coniferous wood output - mostly plantation-grown radiata pine - has climbed from 7.9m cu m in 1970 to about 15m cu m, and is expected to reach 34.8m cu m by 2020.

Jan Remröd, head of the Swedish Forest Industries Association, notes that Sweden's current harvesting rate of 70m cu m a year is well below natural growth of 100m cu m. "We could easily increase our output by 10m to 15m cu m a year if the market was there," he says.

The forestry industry has succeeded in substituting plentiful wood species for those in diminishing supply.

MacMillan Bloedel, the Vancouver-based group, has traditionally relied heavily on British Columbia's majestic spruce, fir and pine forests. But it now gets about 10 per cent of its wood production from fast-growing poplar plantations, mostly in the southern US. Several Canadian companies, including Macblo, have built or bought mills in the southern US over the past decade.



Paper mills and building material suppliers have also found new raw materials. Oriented strand-board, used for timber housing and made from low-grade species such as aspen and poplar, has become increasingly popular. The proportion of waste paper recovered for recycling has risen in the past decade from 31 per cent of global consumption to 42 per cent.

However, the industry's ingenuity in finding untapped resources may not be enough to eliminate fibre shortages entirely. According to

Hagler, the stage has been reached where "we can define limits on available supply, and recognise that, in many regions of the world, expansion of capacity will be difficult, if not impossible, for the first time in modern history".

The implication is that wood prices are on a long-term upward trend, spurring even greater use of substitutes, such as steel and plastics in building materials, and recycled paper, straw and hemp in paper making.

Markets' performance over the

past six months suggests the fear may be exaggerated. A combination of high inventories, stagnant consumption and extra capacity (especially from new suppliers such as Indonesia) has put pulp and some paper prices on the skids. A housing slump has held back North American lumber prices.

But judging by the meeting in Montreal, forest-products companies are acting on the assumption that careful forward planning is essential if they are to gain access to all the wood they need.

ensure that promises are kept.

There could be sticking points. For example, the Swedes may be able to set their own standards, but it will be hard for them to impose the same disciplines on countries such as Russia and the Baltic states where some of their own wood is sourced.

Environmental groups are confident the problems can be overcome. The WWF says certified Swedish forest products could be available "within a couple of years". The hope, too, is that the Swedish model will swiftly be copied by neighbouring Nordic countries Finland and Norway and then by producers such as Canada and the US.

CB-H

# Certificates for Swedish forests

The initiative will greatly increase the amount of forest land certified by the Forest Stewardship Council, an independent international forest certification organisation set up in 1993.

FSC-approved bodies have certified 21 forests around the world, a total of 3.7m hectares. But companies signed up to the Swedish scheme, being developed within an FSC framework, own 38 per cent of the country's 23.5m ha of forest. AssiDomän, one of the participants, alone has 3.4m ha of forest.

The Swedes are under increasing pressure from buyers in their main

European export markets to provide details of their timber production. Evidence that old-growth forests are being hacked down, or even that cultivated forests are being subjected to savage clear-cutting, risks an immediate boycott.

One group pressing for better standards is the WWF 1995 Plus group, a partnership between the WWF and 66 UK companies. With big wood and paper buyers such as the DIY chain B&Q and retailing groups J. Sainsbury and Tesco as members, the organisation has considerable clout.

Similar pressures are being felt

elsewhere, too. In the US, for example, four big paper buyers - McDonald's, Time Warner, Johnson & Johnson and Prudential Insurance Corp - have said they will consider environmental performance when deciding who gets their business.

"The general public has lost faith that the industry is managing its forests well," says Justin Stead, manager of WWF 1995 Plus.

This is acknowledged by Jan Remröd, head of the Swedish Forest Industries Association: "There is a gap between what is happening in our forests and what people think is

happening. People do not really believe us when we say we have abandoned destructive techniques."

He insists the Swedish initiative is not just a marketing tool: "We need to defend wood and paper long term against the threat posed by other materials, such as plastic and aluminium."

The system is not going to mean every piece of wood being tracked from its Swedish source to its ultimate destination, which would be too costly and complex. It will more be a question of management systems being agreed and backed by the threat of random site visits to

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## Emerging Markets CEO of the Year Awards

In 1994, the Emerging Markets CEO of the Year Awards were established to acknowledge excellence in the world's fastest growing markets. International Media Partners and ING Bank were honored to present last year's Awards to Percy Barnevik, President and Chief Executive Officer of ABB Asea Brown Boveri Ltd. and Stan Shih, Chairman and Chief Executive Officer of The Acer Group.

Nominations are now being accepted for the 1996 Emerging Markets CEO of the Year Awards. The first Award will be given to a corporation headquartered in one of the world's emerging economies whose vision and company performance have best shown the pattern that can be offered as a model to other emerging mar-

kets companies around the world. The second Award will be given to a company headquartered in the developed world, whose expansion into emerging markets has best shown how these markets can contribute significantly to corporate revenues and profitability and has benefitted the countries involved.

The Awards will be presented at a gala Awards Dinner during the IMF/World Bank annual meeting in Washington, DC on September 30, 1996.

An independent Selection Committee comprised of chief executives, leading institutional investors, senior banking executives, and leaders of major international organizations will evaluate the recommendations for the awards.

Nominations should be received by April 12, 1996. If you believe you have a candidate, please forward details to: Richard Burns, President, International Media Partners, 611 Broadway, Suite 300, New York, New York, 10012-2699. Telephone: 212 979 3700. Facsimile: 212 598 0788. e-mail: impny@aol.com

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Now in its 17th successful year, the Programme is open to employees of any

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ARTS

Television/Christopher Dunkley

# Politicians move into the studio

At 4.30 on Monday afternoon, during its coverage of the debate on the Scott Report in the House of Commons - an unusually tense occasion with the benches packed, points of order flying, and emotions running high - BBC2, which had scrapped its scheduled programmes to carry the opening speeches live, flashed up a caption: "Ready Steady Cook will follow at 5.00 pm". At the best of times it would have been a banal parish notice with which to interrupt a state occasion of such high drama, but, with exquisite timing, they managed to run it right over the head of Robin Cook, shadow home secretary, just as he reached the peroration in his opening speech for the Opposition. The contrast between serious purpose in the House and the quotidian affairs of television spoke volumes.

Moments later, gesturing mockingly across the table at Michael Heseltine, Cook said: "The Honourable Gentleman has been very free with bandying my name around every studio that would let him in during the past week", a reference to Heseltine's appearances on television and radio which had, indeed, been frequent if somewhat tediously repetitive. Of course Cook himself had scarcely been boycotting the studios and his message,

too, had become tiresomely familiar. Given that the two men are leading lights in Britain's two main political parties, with direct access to Parliament, why had they been scrambling so keenly from one studio to another?

The received wisdom is that in the 35 years since Robin Day began demanding answers from politicians, the political focus has moved away from the House of Commons and into the television studio. Television, it is said, is where the electors actually see the politicians. Today it is more important for a politician to be able to perform well on screen than to perform well in the chamber of the House. You rarely hear this claim queried, though it is certainly not self-evident, and the very existence and atmosphere of Monday's debate suggests that when things come to a head it is still the cockpit at Westminster that really matters. What cannot be denied, however, is that whereas well informed electors would once have taken their political journalism from print, now

they are much more likely to take it from television. Is television good at it?

There is certainly much more political journalism today than even a few years ago, some of it reasonably informative and presented in quite an acceptable manner. *The Midnight Hour*, for instance (Monday to Thursday on BBC2, 12.00 pm, with various chairmen, tonight Andrew Neil, the best of the bunch) is proving to be a place where politicians, journalists and others relax, drop their guard slightly, and occasionally even manage a discussion with remarkably little party point scoring. *A Week in Politics* on Channel 4 at 7.00 on Saturdays manages to summarise and illustrate the week's political events in a way that is pleasantly entertaining, thanks to the style of presenters Vincent Hanna and Andrew Rawnsley. (Though Hanna, with his encyclopaedic knowledge of politics, really should know that when John Bright coined the phrase "Mother of Parliaments" he was referring to

England, not a building in Westminster). But the day when you get most political journalism on television is Sunday. Those in the media/politics circus who feel obliged to stay abreast of events either have to set a video recorder or be in front of the set by 8.30am to catch *Breakfast With Frost* on BBC1. David Frost invariably interviews one politician and sometimes several (this week John Hume and David Trimble, Quentin Davies and Rupert Allason, and the ubiquitous Michael Heseltine).

Then, at 12.30, John Humphrys presents *On The Record* on the same channel, and he, too, interviews a politician (this week Peter Mandelson). At 1.10 in *Jonathan Dimbleby* on ITV there is another political interview (this week with Jack Straw) followed by questions from a studio audience; and at 1.30 BBC2 screens *Around Westminster*, a sequence of regional programmes in which dif-

ferent items of political news are presented for different parts of the country.

Within broadcasting it is commonly believed that the chief factor in political interviews is the toughness of the interviewer. The *Today* programme on Radio 4, where John Humphrys, James Naughtie and Sue MacGregor habitually challenge politicians fiercely, is widely admired by other broadcasters, as is the "Come off it" style of Jeremy Paxman on *Newsnight*. Moreover those among the public who dislike Conservatism enjoy it when Conservative politicians are duffed up, and those who dislike Labour enjoy seeing Labour politicians grilled. The politicians who agree to be interviewed naturally tend to be those best able to deal with hostile questioning; they relish vanquishing a Paxman and enhancing their image. So - interviewees, interviewees, self-selecting public - the system is perpetuated by a virtuous circle.

Very rarely do people stop and ask "Is this the best way for broad-

casting to convey politics to the public? The answer, if they did, would surely be no. If, along with Thomas Delane, 19th-century editor of *The Times*, you believe that the first duty of the press is disclosure, you are unlikely to find the average political programme awfully useful. Take ITV's Sunday lunch-time programme: it is not called "Politics" or "Politicians" but *Jonathan Dimbleby*. The photographs making up the title sequence are not of politicians but of Mr Dimbleby. And consider the questions, in terms of content, order, and tone: do they serve chiefly to convey political ideas to the viewer or to impress you with the intellect and macho talents of the interviewer?

If information rather than fireworks is the object, you may well get more from a Jimmy Young or a David Frost than from the much admired confrontational interviewees. Though Paxman's clear thinking is admirable - not listening can think clearly while everyone and simultaneously controlling an interview with an intransigent politician, all in front of a camera - the duel can be more entertaining than informative. Frost, for all the irritations of his approach (his keenness to put interviewees at ease can border on the sycophantic, and he is as much to blame as anybody for the inflation of "Goodbye and thank you" into "Goodbye and thank you very much indeed") is more likely to achieve revelations than those from the "perpetual challenge" school who constantly force politicians onto the defensive.

Viewers with cable television can now watch the Parliamentary Channel which means that when BBC2 slopes off to do *Ready Steady Cook* they can stay with proceedings in the House right through to the 10 o'clock division, catching every word of the debate if they wish. On Monday it ended in a 319-320 split, and neither *Kavanagh QC* nor the often compelling *Our Friends In The North* could compete with that for drama. As the new technologies, including digital transmission, expand, dedicated channels will increase and more people will have direct access to Parliament. But that is unlikely to stop the expansion of studio politics. All we can hope is that broadcasters ask themselves more often what it is they want to achieve with such programmes.

Ballet/Clement Crisp

## Classic Cinderella from Corder

There have been three full-evening ballets created in Britain during the past few months: David Bintley's *Far from the Madding Crowd*, and versions of Prokofiev's *Cinderella* by Matthew Hart and Michael Corder. It is a curious, and curiously sad, aspect of national taste in ballet as our century ends that such big pieces should be a necessity of dance-going. A hundred years ago, such affairs delighted audiences, and *plus ça change, plus c'est le même* old monolith that puts cash in the box-office.

That said, I salute Michael Corder's staging for English National Ballet as welcome proof that classical choreography is alive and well, and not for once looking like the offspring of Caliban and a disco-dancer. Corder made his choreographic debuts in the 1970s. An elegant, musical dancer with the Royal Ballet, he produced choreographies having just these qualities, which received less than proper encouragement at Covent Garden. For a decade he has worked abroad: a recent creation was *Romeo and Juliet* for the Norwegian National Ballet. Now ENB has invited him to stage *Cinderella*.

Which I saw on Monday in Bristol, replacing an unlamented Ben Stevenson version, and using a revision of the David Walker designs.

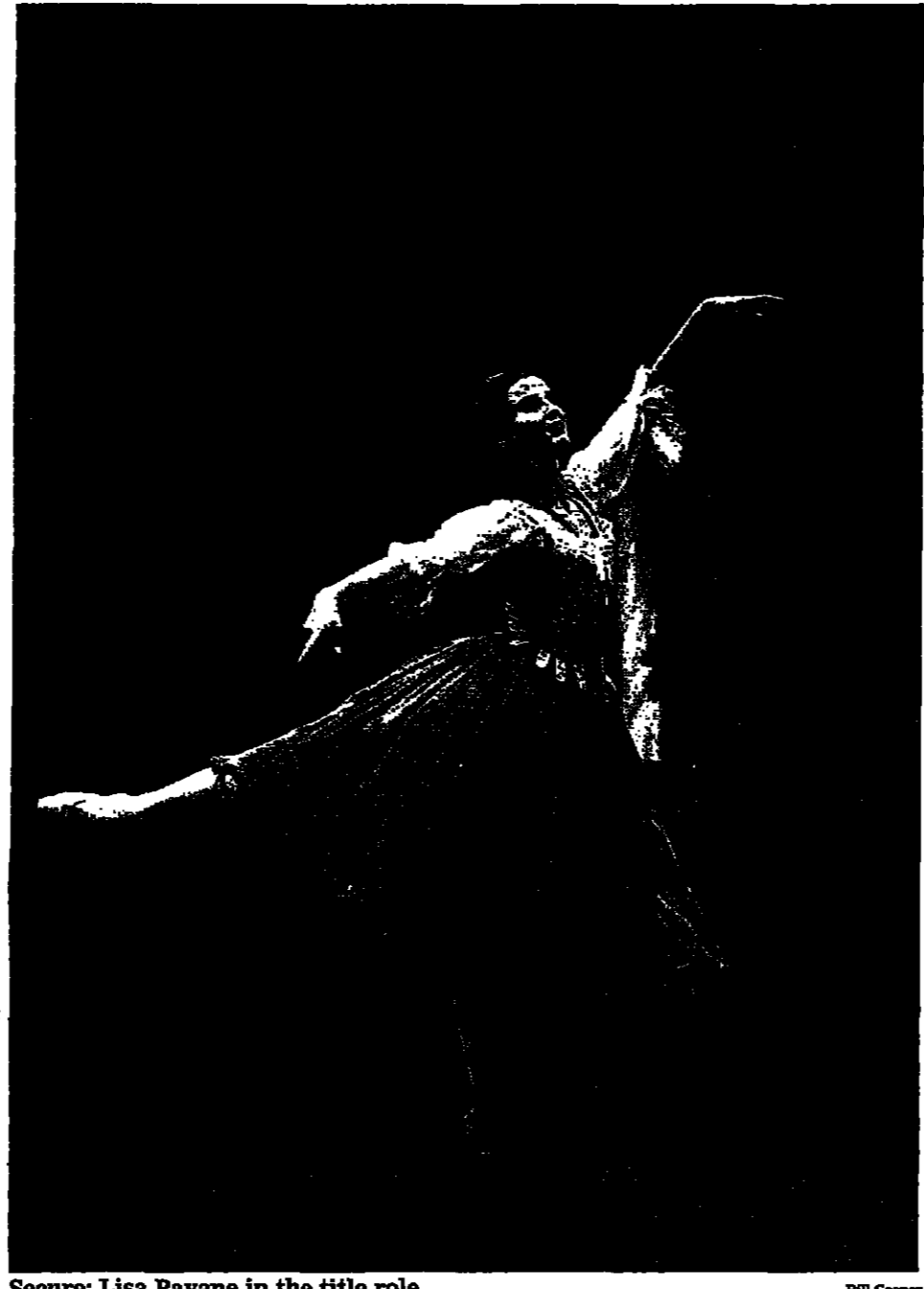
This new version's merits are many. Above all, it is the product of a true classic sensibility. The choreography is "traditional", and rightly so, given the subject and the abundant felicities of Prokofiev's score: "I wished, above all, to express... the poetic love of Cinderella and the prince" said the composer. Throughout, Prokofiev pays tribute to the Tchaikovsky tradition, and Corder's ever-musical has obeyed and served him well. Like Prokofiev he is inventive within the context of an established manner, but not abrasively so: He has made dances that sit happily and handsomely both on the music and on their interpreters. There

results a dance text felicitous, graceful.

Of course, inevitably haunting Corder's imagination there is the Ashton staging, in which he danced. Avoiding the Ashton example, Corder has opted for a vision far nearer Prokofiev's: he gives us a love story, and avoids the pantomime elements of the Ugly Sisters, which were irresistible when first danced by Ashton and Helpmann but have, since those great originals, become an embarrassment. We now reverse the Ashton production for its classical splendour and cringe at its comedy. Corder's Ugly Sisters, like those at the Bolshoi and Kirov (where Makarova was adorably malicious in the role), are seen as classical soloists, mean-spirited but well-danced.

With the removal of this comic element we feast on dancing. Corder has opted to use the entire Prokofiev score, and here he might have copied Ashton without fear of plagiarism. Certain opened cuts add little to the emotional action; the inclusion of the voyage divertissement at the start of the third act, when the Prince travels the world in search of Cinderella, cannot make sense, unless the full forces of a large company, as in Moscow and Petersburg, are deployed. The music is thin; Corder's inventions are clever, but merely cloud the drama. The wish to fill out an otherwise brief third act is understandable: Corder's subsequent dances and his apotheosis are strong and touching enough to stand on their own.

The abiding impression of this staging is of the assurance and musical aptness of Corder's manner. He is a rare bird - a classical choreographer. He is not a vandal, pillaging the old language for his own ends; nor a cross-over artist from modernism, whose feeling for academicism is an understanding from the outside only, rather than physically ingrained from a stage career.



Secure: Lisa Pavane in the title role

His dances are secure in a tradition in which he was educated and grew up. With *Cinderella* he has made no innovations, contenting himself - selflessly, in effect - with shaping movement that sits with entire grace upon the score. We need not ask for more. And like the Prokofiev, he sees the narrative as serious, lyrical, touched with magic. This *Cinderella* is in harmony with its music.

ENB's artists look very well. I saw Lisa Pavane as a classically secure Cinderella with Greg Horsman as a soaring Prince. His two companions were brilliantly taken by Roman Rykin and Dmitri Gruzdev, with David Peden very good as the dancing master to whom also fall the Jester's dances. (The absence of a capering diamond-cheeked clown is cause for Hosman's). Monica Perego and Elisabeth Miegge were very pleasing Step-sisters, and the first act fairy sequence - cast as four duets for the seasons - was well done, with Ambra Vallo a dazzling Autumn spirit. The marvellous score - I think it superior to *Romeo* - sounded admirably under Patrick Flynn's baton.

ENB brings this staging to the Coliseum London, in March. Sponsored by Digital.

Music in London

## Bruckner's Requiem

The Bruckner/Mozart series at the Barbican offers a full deck of Bruckner symphonies and just a couple of wild cards. These days we are so used to hearing the mature symphonies that Bruckner wrote from his fifties on that it is easy to forget he started composing seriously as a young man - though even then, being Bruckner, he did not exactly write young men's music.

The rarely at Sunday's concert was the Requiem from 1848, composed when Bruckner was a mere 24 (not for him any question of putting off a mass for the dead until late in life). Sacred music was where he began as a composer and he did not progress to orchestral music, let alone symphonies, until middle age. If one wants to know where the patient, wise, reverential Bruckner of the great last three symphonies came from, the Requiem is probably as good a place to start as any.

Until now, the pairing of Bruckner with Mozart in this festival may have seemed arbitrary, but hearing this Requiem makes one think

again. So often Mozart's own Requiem seems to be hovering in the background, an inspiration for the outline and even sometimes for the detail. There is the same purposeful tread (two spacious Brucknerian adagio here) and straightforward writing for the chorus. Bruckner does try his hand at the traditional fugue for "Quam olim Abraham", but wisely does not stretch his technical ability for long.

Given that he was still at the learning stage with this Requiem, Bruckner presented himself with a clear-cut lesson: the simpler he made his music, the better the effect. Much of this score is unmemorable, but when he suddenly restricts himself to unaccompanied male chorus for the "Hostias", he affords a glimpse of the master he would become. The men of the London Symphony Chorus made a brave stab at that section, and some of the solo music also has its moments: mezzo Patricia Barndon and bass Peter Rose found the right gravity of tone, with soprano Rebecca Evans and

tenor Barry Banks in support. For one night the London Symphony Orchestra was taking a rest and sharing the limelight - not to mention the risk involved in putting on a rarity - with the Scottish Chamber Orchestra. Charles Mackerras, the SCO's conductor laureate, was in charge and he searched out every morsel of musical interest in the score, as he has done so often with other little-known pieces. Overall, it was probably as good a performance as the Requiem has had.

Still, the SCO's calling-card with Mackerras is not Bruckner, but Mozart. Together they have recorded most of the major Mozart operas and on Sunday they brought the same warm and lively playing to the Overture to *Die Zauberflöte* and the Symphony No. 41. Mackerras has lived to see the ideas on performing Mozart that he championed years ago accepted as the norm today, but marvellously nothing he does sounds at all didactic. The last movement of the symphony was pure joy.

Richard Fairman

## Maazel and the Pittsburgh

By a quarter-to-ten last Wednesday night, Lorin Maazel was in right good humour and so were his players in the Pittsburgh Symphony Orchestra. The March from Bizet's *L'Arlesienne* brought their European tour to a buoyant end: it was the third encore of their Royal Festival Hall concert, following two lavishly characterised Hungarian Dances by Brahms. The array of percussion reserved for that moment showed it had all been planned, but it was also well deserved.

The evening opened with Sibelius's fiercely combative *Finlandia*, which gave the Pittsburgh's uninhibited brass section a good chance to air their lungs. On a more refined level, Sibelius's Violin Concerto set off the remarkable talent of 21 year-old, Lithu-

nian-born Julian Rachlin as soloist. He is still studying in Vienna but he played like a master, dazzling with his sumptuous tone and confident athleticism. Commanding, too, in his expressive authority: this was a real heart-throb performance. Some of the upward sallies in the finale suggested the wild freedom and gushing ardour of a central European gypsy rather than the icy extremities of Finland, yet Sibelius's rhythmic ingenuities invite a bit of swagger. Rachlin made the stratospheric harmonics snake about seductively, adding a touch of mischief that Maazel was obviously happy to collude with. Rachlin capped this tour-de-force with an unexpected bonus in Ysaye's Ballade.

Maazel seated the orchestral violas on the audience's right - effective for their bit of the

melody in the Intermezzo inter-rolle fourth movement of Bartók's Concerto for Orchestra. As usual, he conducted everything from memory, interpreting with his gestures as much for the audience as the players. At the end of Bartók's "Glòce delve Coppte", the Concerto's second movement, the side-drum player hardly needed his final diminuendo so fulsomely mimed from the rostrum. Yet with or without the visual embellishments, this was a real virtuoso performance which proved the quality of the whole orchestra. It also showed some refined playing from all of the woodwind in turn, and in Bartók's most humane and optimistic finale, a good old blast from the brass to meet Sibelius on his own ground.

Adrian Jack

### INTERNATIONAL ARTS GUIDE

- AMSTERDAM**  
CONCERT  
Concertgebouw  
Tel: 31-20-5730573  
● Borodin Quartet perform Tchaikovsky's String Quartet No.2 in F. R. Schumann String Quartet No.3 in A, and Schubert's String Quartet No.12 in C minor (Quartettsatz); 8.15pm; Mar 2.
- BARCELONA**  
EXHIBITION  
Fundació Antoni Tàpies  
Tel: 34-9-4870315  
● Francis Picabia, Miquelins y Españolés: an exhibition of around 150 works from five significant periods by the Paris-born painter (1879-1953); to Mar 3.
- BERLIN**  
DANCE  
Komische Oper Tel: 49-30-202800  
● Requiem II: a choreography by Bligit Scherzer to music by Mozart

- performed by the Ballett Komische Oper; 8pm; Feb 29.
- OPERA**  
Deutsche Oper Berlin  
Tel: 49-30-3438401  
● Oedipe; by Enescu. Conducted by Lawrence Foster and performed by the Deutsche Oper Berlin; 7.30pm; Mar 1.
- BONN**  
OPERA  
Oper der Stadt Bonn  
Tel: 49-228-7281  
● Don Giovanni; by Mozart. Conducted by Shuja Okatsu and performed by the Oper der Stadt Bonn; 7pm; Mar 2.
- DENVER**  
EXHIBITION  
Denver Art Museum  
Tel: 1-303-640-2793  
● Norman Rockwell Art Tour of America; from Mar 1 to Mar 3.
- DRESDEN**  
JAZZ & BLUES  
Sächsisches Staatsoper Dresden  
Tel: 49-351-49110  
● Jazz-Abernd - Improvisation: performance by Mack Goldsbury on saxophone, flute and clarinet, and Andreas Böttcher on piano, vibraphone and synthesizer; 8pm; Mar 1, 2.
- OPERA**  
Sächsisches Staatsoper Dresden  
Tel: 49-351-49110  
● Les Contes d'Hoffmann; by Offenbach. Conducted by Siegfried

- Kurz and performed by the Sächsisches Staatsoper Dresden; 7pm; Feb 29; Mar 6.
- GLASGOW**  
CONCERT  
Glasgow Royal Concert Hall  
Tel: 44-141-326533  
● The Royal Scottish National Orchestra; with conductor En Shao and pianist Janis Vakarrellis perform Mozart's Symphony No.17 and Piano Concerto No.20, Wu's The Shadow of Moonlight, and Bartók's The Miraculous Mandarin; 7.30pm; Mar 2.
- LEIPZIG**  
OPERA  
Oper Leipzig Tel: 49-341-1261261  
● Il Barbiere di Siviglia; by Rossini. Conducted by Barezza and performed by the Oper Leipzig and the Gewandhausorchester; 7.30pm; Mar 1.
- LONDON**  
CONCERT  
Barbican Hall Tel: 44-171-6388891  
● Steven Isserlis and Olli Mustonen: the cellist and the pianist perform works by Martinu, Sibelius, Janacek, Elcch and Shostakovich; 4pm; Mar 3.  
Queen Elizabeth Hall  
Tel: 44-171-9804242  
● Alban Berg Quartet: perform Mozart's String Quartet No.18 in B flat (Hunter), and Berio's Nottumo Quartetto III; 7.45pm; Feb 29.

- OPERA**  
London Coliseum  
Tel: 44-171-8360111  
● Tosca; by Puccini. Conducted by Alex Ingram and performed by the English National Opera. Soloists include Janice Cairns, David Rendall and Philip Joll; 7.30pm; Mar 1, 5.
- MUNICH**  
CONCERT  
Philharmonie im Gasteig  
Tel: 49-89-48098625  
● Alexander's Feast; by Handel. Performed by the Chor und Kammerphilharmonie des Mitteldeutschen Rundfunks, Leipzig, with conductor Simon Preston; 8pm; Feb 29.
- NEW YORK**  
CONCERT  
Avery Fisher Hall  
Tel: 1-212-875-5030  
● New York Philharmonic: with conductor Leonard Slatkin and pianist Jeffrey Siegel perform works by Gershwin, Bernstein and Ives/Schuller; 2pm; Mar 2.  
Carnegie Hall Tel: 1-212-247-7800  
● Richard Stoltzman and Lukas Foss: the clarinetist and pianist perform works by Gershwin, Copland, Ives, Reich, Foss, Hindemith and Bernstein; 8pm; Mar 1.
- OSLO**  
CONCERT  
Oslo Konserthus Tel: 47-22-834510  
● Oslo Filharmoniske Orkester; with

- conductor Eije Oue. Mozart's Symphony No.25, Albrechtsberger's Concerto for Alto Trombone and Orchestra, and Mussorgsky's Pictures at an Exhibition; 7.30pm; Feb 29.
- PARIS**  
CONCERT  
Cité de la Musique  
Tel: 33-1 44 84 45 00  
● Orchestre du Conservatoire; with conductor/viola-player/violinist Shlomo Mintz perform works by Hindemith, Mozart and Brahms; 8pm; Mar 2.
- ROME**  
CONCERT  
Accademia Nazionale di Santa Cecilia Tel: 39-6-3811084  
● Emerson Quartet: perform Beethoven's string quartets Nos. 12 and 15; 8.45pm; Mar 1.
- SEATTLE**  
EXHIBITION  
Seattle Art Museum  
Tel: 1-206-625-8900  
● Morris Graves: Flower Paintings: exhibition of 18 paintings by the American artist Morris Graves; from Mar 1 to Aug 4.
- STUTTGART**  
DANCE  
Staatstheater Stuttgart  
Tel: 49-711-20320  
● Stuttgart Ballet: perform Marius

- Petipa's Paquita to music by Minkus, George Balanchine's Chaconne to music by Gluck, and a choreography by Uwe Scholz to Bartók's Piano Concerto No.1; 7.30pm; Feb 29; Mar 1.
- SYDNEY**  
CONCERT  
Concert Hall Tel: 61-2-250-7111  
● Sydney Opera House Orchestra; with conductor Anthony Walker, the Sydney Philharmonia Choirs and the Sydney Philharmonia Symphonic Choir perform Szymanowski's Stabat Mater and Fauré's Requiem; 8pm; Mar 1.
- VIENNA**  
CONCERT  
Konzerthaus Tel: 43-1-7121211  
● Thomas Moser: The tenor performs songs by Beethoven and Schubert; 7.30pm; Mar 1.  
EXHIBITION  
Kunstforum der Bank Austria  
Tel: 43-1-5320644  
● Van Gogh and the Hague School: 90 works by Van Gogh in juxtaposition to 70 works by artists of the Hague School; from Feb 28 to May 27.
- WASHINGTON**  
EXHIBITION  
National Gallery of Art  
Tel: 1-202-7374215  
● Harry Callahan: exhibition examining Callahan's contribution to American photography. From Mar 3 to May 19.

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Edward Mortimer

## Surfeit of good things

The right to vote can be meaningless if the real choices are left to the market and those elected are powerless to act

Free economics is a necessary condition for free politics. But you can have too much of a good thing.

America won the cold war. History ended with the triumph of economic and political liberalism. All other ideologies abandoned the field. Nothing is left for people to fight about except competing ethnic and cultural identities: "the clash of civilisations".

Then why are Americans so unhappy? Why do solid citizens in Iowa and New Hampshire vote for a man whose policies could best be summarised as "stop the world, I want to get off"?

Of course Pat Buchanan has not yet been nominated Republican candidate, let alone elected president. All the pundits assure us he still will not be. All he has done so far is persuade a lot of religious activists to turn out for meetings on a winter evening in Louisiana and Iowa, and then win a narrow plurality of votes among supporters of one party in New Hampshire.

Never mind. Buchanan has seized the initiative and got the Republican establishment running scared. None of the other leading candidates now dares to be seen as the candidate of successful American businesspeople - except perhaps Steve Forbes. None campaigns on a clear free-trade platform, proclaiming the North American Free Trade Agreement and the Uruguay Round as great achievements of the last Republican administration. Certainly none dares defend the United Nations as a great American creation or an indispensable instrument of US foreign policy - even though George Bush, the former president, mobilised the UN so skillfully in the Gulf war five years ago.

However much they disagree with his remedies, all candidates know Buchanan has touched a sore point in the American psyche. Americans are not happy. They are not exuding the self-confidence and "can-do"

spirit which followed their victory in the second world war. Materially they are much better off, on average, than they were then. But they do not feel secure. They feel their jobs and their way of life are threatened by economic and technological change.

Undoubtedly their chances of finding another job, if made redundant, are better than those of their European counterparts. But many know from experience that changing jobs can mean moving down the income ladder, not up. The market may do its job of maximising efficiency and productivity. That is no consolation to individuals who find the market value of their skills is going down.

If that is true for Americans, how much more so for people in Russia and other countries where market forces are being unleashed after decades of state control? Many young, enterprising, acquisitive Russians are undoubtedly benefiting, and many Russian economic indicators are now encouraging, if one assumes the reform process will continue roughly on course. But for many individual Russians - perhaps even a majority - the immediate personal consequences are catastrophic. Gennady Zyuganov, the Communist leader, is the Russian equivalent of Pat Buchanan - except that he

Private choices by consumers are not the same as civic choices by citizens. Leaving everything to the market deprives citizens of the chance to make collective choices

appears to have a much better chance of actually becoming president.

Benjamin Barber, a leading US political scientist, has neatly encapsulated the contradiction of our times in the title of his book, *Jihad versus McWorld* (Times Books, \$25).

McWorld is the world of McDonald's hamburgers, of "globalisation". Puck's boast (in Shakespeare's *A Midsummer Night's Dream*) that he will "put a girdle round about the earth in 40 minutes" is far surpassed by today's reality: images, ideas, even investments (but not refugees or migrant workers), can accomplish the same feat in a few seconds. The result is a global marketplace and a homogenised culture. The rest of the world perceives this phenomenon as Americanisation, but Buchanan speaks for those Americans who feel no less threatened by it.

Jihad is a Moslem term roughly equivalent to "crusade", but used by Barber to cover all the "new tribes": people desperate to preserve their traditional identities, whether ethnic, national or religious (Buchanan is an American version of "jihad"). Such people resist globalisation but are also a product of it: the Serb gunman on the hills above Sarajevo wore the same Adidas sneakers, and was listening on his personal stereo to the same Madonna tapes, as his victims in the city below.

What has gone wrong? In Barber's view the identification of democracy with markets is a "deep and dangerous confusion". Private choices made by consumers are not the same as civic choices made by citizens. Leaving everything to be decided by the market deprives citizens of their chance to make collective choices.

The British political scientist David Beetham makes the same point, in a paper given to a recent conference at the University of Warwick. He said: "The more we emphasise

individual choice - in health, education, transport, etc. - the more we abandon any collective control over the consequences of these choices, and the shape and distribution of provision between different sections of the population."

Twenty or 30 years ago, "direct democracy" was the fashion. We were all supposed to become full-time citizens, spending all our time at meetings. They tried it in Portugal after the 1974 revolution, with the result that the Communist party almost came to power: a well-organised minority, with members prepared to stay at meetings until everyone else had gone home.

Now the pendulum has swung right over, and the slogan is *covert empot* (let the buyer beware). We are supposed to be full-time consumers, spending all our time poring over copies of *Which?*, deciding which product is best value for money.

The truth is, most of us don't want to be either of these things. We want to be assured of a minimum standard of government, and a reasonable choice of goods and services with some protection for consumers against unsafe products or outright fraud.

We want the chance to vote a corrupt or incompetent government out of office, and the chance to switch suppliers if a product is unsatisfactory. But we have other things to do in life, and we want to get on with them.

Too much democracy kills the market, because "the people", or an authority acting in their name, take all the decisions collectively, leaving nothing to the individual. But too much market may also kill democracy. If every choice is left to the market, the right to vote becomes meaningless, because the people you elect have no power to change anything.

No doubt the market is a necessary condition for democracy, as water is for life. But you can also drown...

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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## Common conflicts in stock exchange ownership

From Mr John Brewer.

Sir, A key principle of Hong Kong's company law - which applies equally to the stock exchange as it does to any company listed on it - provides that a company's board must act in the best interests of the company as a whole. You Lex columnist was right "London Stock Exchange", February 26) in identifying the huge conflict of interest that exists when an exchange tries to fulfil public

utility expectations while owned by a small group of broker-members.

That very issue was brought to the fore in Hong Kong in late 1994 in a report co-authored by Bob Fell, formerly the London Stock Exchange's first chief executive. More recently, the Australian Stock Exchange's board of directors has taken a hard look at its ownership. In both cases, a public listing of

the exchange has been mooted.

Corporate governance and the regulation of monopolies have stared each other in the face rather uncomfortably since the days of England's medieval guilds and chartered trading companies. The shortcomings identified by Lex do not make stakeholder theory any less woolly than it already is. But they do suggest that, unless the interests of a broader range of market

participants can be reflected through a wider ownership structure, the privilege of listing securities as a competent authority should be made more widely available.

John Brewer, chief executive, The Hong Kong Institute of Company Secretaries, 22/F Prosperous Building, 54-55 Jardine's Bazaar, Causeway Bay, Hong Kong

## Perspectives on history are different

From Mr Michael Moore.

Sir, Dr Jürgen Pfister of Commerzbank (Letters, February 23) demonstrates the different views of German history from the English and German perspectives. The hyperinflation of 1923 after the French occupation of the Ruhr got rid of the French, left unemployment around 10 per cent and the Social Democrats in power. To German bankers this is more fearful than the attempt to reduce wages in 1930-33, which put unemployment to 30 per cent and Hitler into power.

Perhaps monetary union is a just revenge for the Treaty of Versailles, but as J.M. Keynes said in *The Economic Consequences of the Peace*, it will not benefit the avengers.

Michael Moore, Peveril, 58 The Ridge, Marple, Stockport, Cheshire SK6 7ER, UK

## Strong stand essential on China CD piracy

From Mr Brendan Dodge.

Sir, I am responding to the article entitled "Fresh drive to cut China CD piracy" (February 22). I hope the US and the European Union take the advice of the music industry. They need to let China know that it needs to take the agreement with the US on intellectual property rights seriously. Mr Nic Garnett, director-general for the International Federation of

the Phonographic Industry, said the situation last year "got worse, instead of better". That is sad. More than half the CDs and cassettes sold in China are pirated, according to the IFPI.

It is essential that a strong stand on piracy be taken now. The market for music CDs, CD-Rom software, and movies on laser disc is growing rapidly. If piracy is not stopped now it will continue to expand

with the expanding markets stealing more and more from the industry. If China will co-operate, the problem of piracy in China can be curbed, and its new market will provide a large boost to the world entertainment and software industries.

Brendan Dodge, 1548 North Cool Creek Ave, Meridian, Idaho 83642, US

## McDonald's lesson in being family friendly

From Ms Katherine F. Rozel.

Sir, I read with interest Andrew Jack's article "McDonald's makes fast-food inroads on the French palate" (February 21) describing McDonald's astronomical growth in France since the late 1970s. As a former resident of France who continues to travel there often, and more importantly as a parent of a young child, I noted the article omitted one important factor in explaining the increasing French preference for eating at McDonald's.

Perhaps just as important as changing patterns of French consumption and low prices is the fact that McDonald's is a child-friendly restaurant. It (and other fast-food chains) is the one restaurant in France where parents who wish to dine with their children may comfortably go with the expectation of enjoying their meal. Not only does McDonald's provide an atmosphere and environment which is welcoming to children and food that is easy for them to eat. And it is the one place

where parents can go and not expect to be greeted by the scowling faces of other patrons and restaurant managers. Workers alike, McDonald's is certainly not my first choice for culinary satisfaction; however, if French fathers and brasseries wish to survive, they would do well to heed its example and make their businesses more family friendly and welcoming.

Katherine F. Rozel, 6453 East Windsor Lane, Norcross, Georgia 30093, US

## Japanese competition would seem to have a limited future

From Professor Ronald Dore.

Sir, Pamela Meadows' Personal View ("When growth falls the unemployed", February 27) seems to favour the third of the three options for dealing with the UK unemployment problem which she so lucidly surveys - paying more for our railway tickets so that stations can be decently staffed. Maybe even paying more local taxes to de-privatise refuse collection, creating more jobs in which even those whose energy levels are not up to working more than 35 minutes in every paid hour can still make out?

It is, indeed, well called the Japanese option. How long Japan should continue to retain it was a matter furiously debated at a conference, "Capitalism in the 21st century", in Japan's Ministry of Finance earlier this month.

The crux of the matter is competition. Pamela Meadows, echoing the Blair/Major consensus, says that we should welcome the way European societies have become more competitive and efficient. But there have been some less desirable side-effects.

What she does not acknowledge is that there is a real trade-off. You cannot have the no-holds-barred competition British society presently favours without those side-effects. The Japanese keep up employment precisely by the limitation of competition.

This is done partly by regulation, partly by cartels. No petrol station can steal a march on its rivals by sacking employees and going self-service, because the fire regulations won't permit it. The slowing down of the

growth of supermarkets keeps up less-efficient retail employment.

As for cartels, look at newspapers. Compared with the UK, grossly overstated by any words produced per journalist criterion. But viable because there is either an implicit or explicit cartel which rules out Murdochian price wars. They compete fiercely in news and features, sponsoring concerts and baseball teams, but not on price.

It probably won't last. On the one hand, external pressure, with US trade representative, Mickey Kantor, and EU trade commissioner, Sir Leon Brittan, constantly clobbering the Japanese for dragging their feet on deregulation. On the other, the very real "policing" problem which requires a consensus

about the criteria for separating socially useful cartels from conspiracies against the public.

Those of us at the conference who argued: "Stick with it, competition and efficiency are not the only ends in life" were a distinct minority, greatly outnumbered by Japanese economists with PhDs from Berkeley and Chicago, true believers in the supreme virtues of competition. Which is, after all, not just the Blair/Major consensus but the worldwide neo-classical economics consensus.

Will America's social problems eventually become so serious that this consensus changes?

Ronald Dore, London School of Economics, Houghton Street, London WC2A 2AE, UK

## Two countries inside one

While diplomats clinked glasses to celebrate the introduction of the Mercosur customs union on January 1 last year, states in north-eastern Brazil were savouring a less sweet prospect. The union, which links Brazil to Argentina, Paraguay and Uruguay, is likely to suck even more big investment projects into Brazil's rich south at the expense of the poor north.

The north-east has already been forced to fight harder to win investment. Central government's budget problems have reduced the amount of money available to persuade investors to locate to poorer regions. And economic reforms aimed at giving the private sector a greater role in industrial development have reduced the government's ability to direct investment to such areas.

Mr Jorge Khoury, industry secretary in Bahia state, says he agrees "philosophically" with a more open economy, but urges the central government to do more to help poorer regions. "Otherwise, uniform policies for a country which has such inequalities is bad for us, and will perpetuate two Brazils," he says.

The gap between rich and poor Brazil does, indeed, look like that between two countries. The average head of a household in the north-east earns half the wage of his equivalent in the south-east, dies 10 years younger and is twice as likely to be illiterate.

To reduce these differences, past governments have offered generous incentives to persuade companies to move to the north. For example, Alcoa Alumínio, the Latin American arm of Alcoa of the US, was persuaded to build a rolling mill in the state of Pernambuco, in spite of its distance from the source of raw materials in the Amazon and from consumer markets in the south.

Brazil's north-east is losing out in the fight for big investment projects, says Angus Foster



Government projects, such as a petrol refinery outside the Bahian city of Salvador, also created regional industrial centres. Investments like these will no longer be attractive following the approval of Mercosur - especially given the government's cash shortage. With more than 60 per cent of Mercosur's wealth and population lying within the São Paulo-Buenos Aires axis, big investments look increasingly headed for the south.

But Mr Rafael Lucchesi, a Bahia-based economist, says Mercosur does not have to mean bad news for the region. Bahia's exports to Mercosur almost doubled to \$190m between 1991 and 1994, as the trade barriers came down. This is a slower rate of growth than in southern states, but tropical northern Brazil can offer differ-

ent products to the temperate south, such as tropical fruits like mango and açai.

Although big investments may no longer head for the north-east, smaller ventures are moving into the region. Brazil's recent economic stability since the 1994 introduction of the Real currency has led to an explosion of consumer spending by people who were too poor previously to afford anything except food.

For a state like Bahia, which has a population of 12m and accounts for 40 per cent of the north-east's economy, this means large numbers of new consumers with money to spend. Companies are still cautious about investing until economic stability seems assured. But some consumer goods companies, including manufacturers of food, hygiene products

and paints, are considering shifting production to the north-east, instead of transporting products there from southern factories.

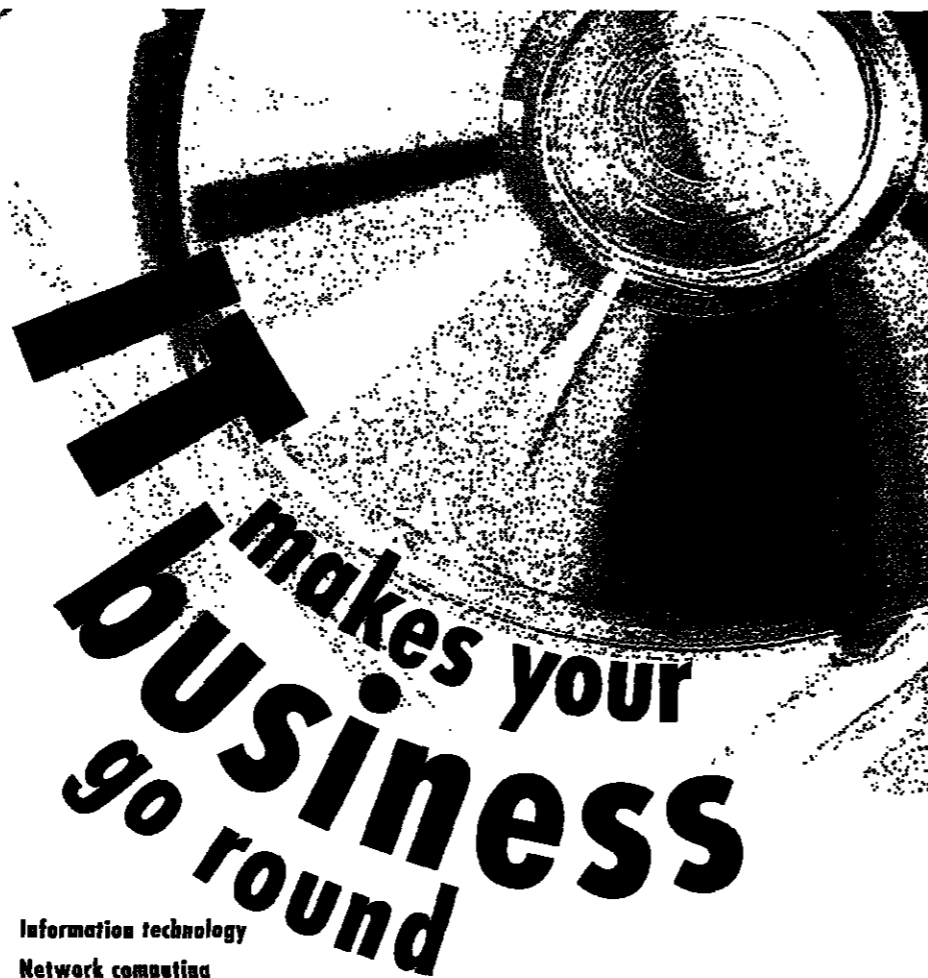
This development of regional manufacturing centres means big savings on high transport costs for industries which can build small factories cheaply. Brahma, Brazil's biggest brewer, announced earlier this year it was building a new factory in the state of Sergipe to serve the region's market. Another brewer, Kaiser, plans to build breweries in Pernambuco and Ceara.

But serious barriers to development remain for the states in the region. Their reputation for conservative, and corrupt, politics dissuades some foreign investors, and poor education standards mean there is no reservoir of well-trained staff to provide a workforce.

The region's infrastructure is also poor. Exporters complain the region's potential advantage of being closer to Europe and the US is lost because the north-east's ports are inefficient. Tourism, seen as a large potential employer along the coast, has been hampered by fragile air and road links. Large tourist centres, such as Porto Seguro in southern Bahia, lack adequate water and sewage systems.

Finding money to improve infrastructure links will be difficult. Several state budgets, including those in Alagoas and Maranhão, are in dire straits with 90 per cent or more of revenues committed to government salaries and no money left to invest.

Mr Khoury says the central government has a responsibility to spend more. "It's all right for the central government to ban privileges, but we need to maintain our rights as part of a federation," he says. "The north-east is not just a problem for the north-east, but for the whole of Brazil."



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FINANCIAL TIMES

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Wednesday February 28 1996

An outline for EU reforms

The European Commission will today finalise its proposals for the next round of constitutional reform of the European Union...

removal of the right of national veto. That may be less earth-shattering than it sounds...

The Commission is also adamant that most co-operation in the "third pillar", such as combating fraud, terrorism, organised crime and drug trafficking, should be brought under normal EU rules...

The trouble is that the next enlargement of the EU is still several years down the line, and several member states seem ready to concentrate on making concessions until it is much closer...

It calls for "the systematic discarding of unanimous decision-making", that is the progressive

Green Labour

The Labour party has not worn the mantle of environmentalism easily in the past. It has feared, with some cause, that "green" policies would cost jobs...

Blair suggests an extensive home insulation programme, which he estimates could create 50,000 jobs, might be paid for by the utilities...

Mr Blair should be given credit for tackling the questions head on. But he has stalled at many of the hurdles which defeat his predecessors...

Take energy policy. The decline of the coal industry, the electricity generators' "dash for gas" and the rise of nuclear power - all developments Labour attacked or questioned...

But in that arena, his plans confront the problem which has largely derailed the government's energy efficiency schemes: consumers' reluctance to pay...

Restraining Nasa

The loss of Nasa's \$440m satellite-on-a-string gives critics another chance to attack the space agency for incompetence. But the accident - the snapping of a shoelace-thin cable that connected the satellite to the shuttle Columbia - should not distract from the improvements made over the past three years in Nasa's efficiency and scientific responsiveness...

than the cost of the ill-fated Mars Observer. Nasa plans to send a small fleet of spacecraft to the red planet over the next few years...

The last big mishap - the loss of the fifth Mars Observer mission in 1993 - followed a string of managerial and technical failures going back to the 1966 Challenger disaster...

Nasa has already shed 20,000 jobs and plans to cut more 35,000 more. Layers of bureaucracy are disappearing. Its \$1.4bn a year budget is shrinking...

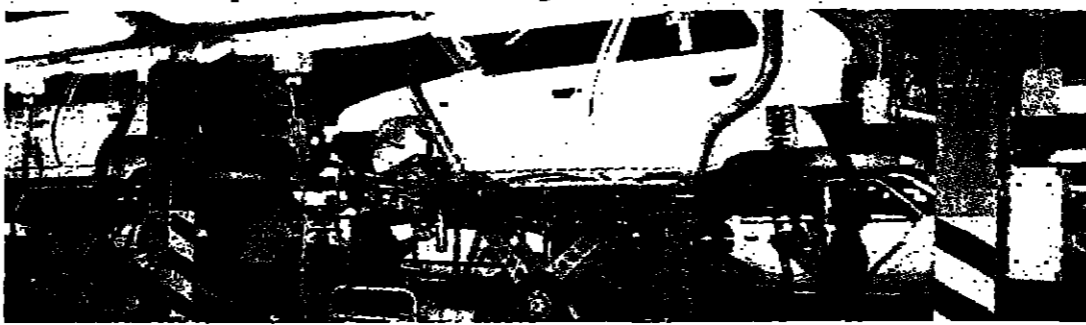
But Nasa's greatest challenge over the next few years will be to develop a successor for the ageing shuttle fleet. If the US is to maintain its inspiring long-term goal of sending human explorers through the solar system, the next step must be a flexible launcher that can carry people and goods into space and back far more cheaply and safely than the shuttle...

So far, few Brazilians seem to support Iama's campaign. Most people think Iama would be better off tackling more or less any of the "real environmental nasties" threatening Brazil...

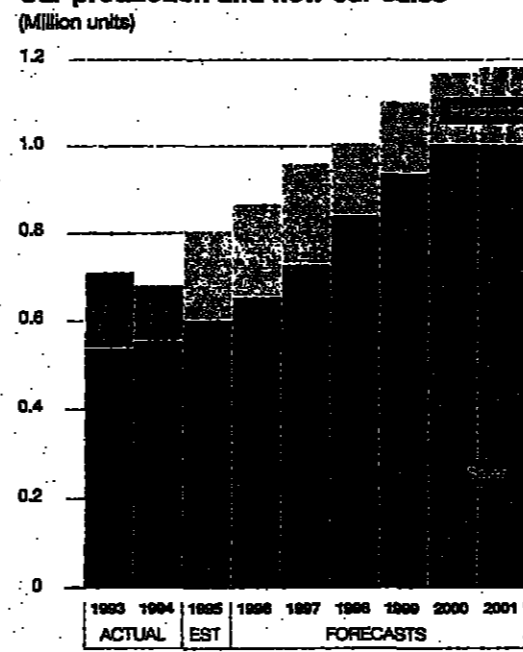
A drive into the fast lane

Western carmakers are increasingly optimistic about their expansion in the former Communist states of central Europe, says Kevin Done

Central European motor industry

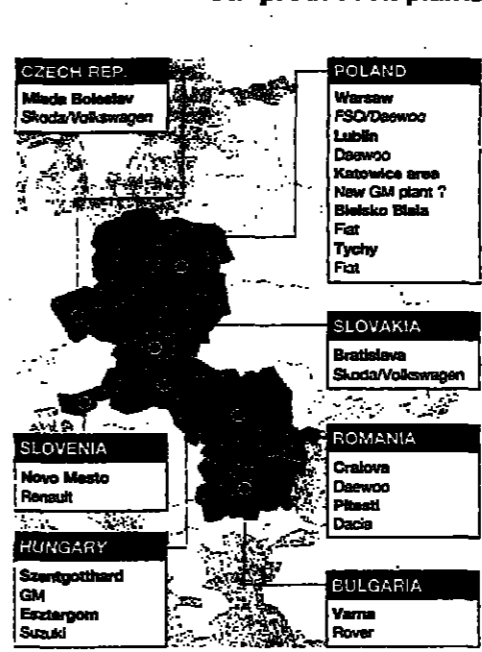


Car production and new car sales (Million units)

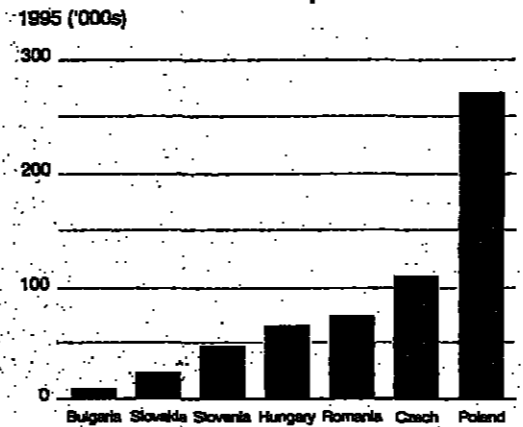


Source: DFI Europe

Car production plants

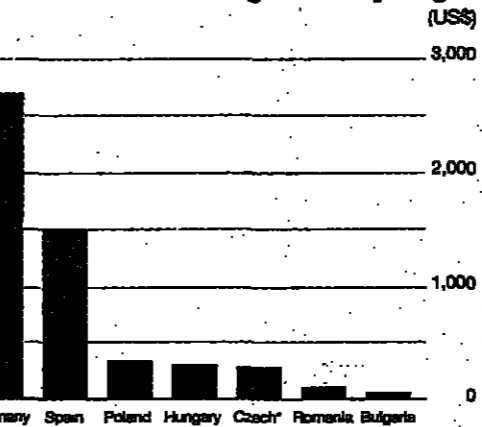


Estimated central European car sales 1995 ('000s)



Source: DFI Europe

Average monthly wages 1995 (US\$)



Source: AT Kearney

The car industry is on the move across central Europe. Six years after the fall of communism, the world's leading carmakers and the components suppliers that follow in their tracks are increasingly confident about the region's prospects...

General Motors, the world's largest vehicle maker, exemplifies the mood. It is poised to build its first integrated car manufacturing plant in central Europe at one of four short-listed sites in southern Poland...

After the decade following the fall of the Berlin Wall, gross domestic product in the region's countries is increasing at between 5 per cent and 7 per cent a year. Inflation is largely under control, and local currencies are stable or appreciating...

The motor industry is in the vanguard of the economic reforms taking hold throughout the region, improving efficiency and quality and introducing modern management techniques...

Unsurprisingly, German motor industry leaders warned two weeks ago that by the end of the decade a further 100,000 jobs could be shed in the German car and components sector...

A significant number of those jobs could move to central Europe, as the restructuring of the car and components industries in Poland, the Czech Republic, Hungary and Slovakia gathers pace...

"Take wiring harnesses," says Mr Graham Bell, director of marketing and operations planning in Europe at the automotive systems, the world's biggest motor components group and a subsidiary of General Motors...

It was quickly apparent, as borders opened, that central Europe could provide a new source of low-cost but skilled and well-educated labour. Conservative estimates show that labour costs in the region are still less than a tenth of German levels...

But labour rates and a supply source for low-cost components and products that can be exported to the west are now only part of the story. Step by step the carmakers want to

establish capacity inside central Europe to serve the growing domestic markets. This is the significance of the latest GM move in Poland...

GM believes that, at least in the case of Poland, the biggest market in central Europe with a population of 38m, the time has come to make a big investment. "We doubled sales last year," says Mr Mackie. "We have got our foothold and we want to grow with the market..."

Production, most probably of a re-engineered, low-cost version of its current Opel/Vauxhall Astra small family car, is due to start in 1998...

As the carmakers add manufacturing capacity, they have also embarked on reform of other parts of the business chain, most importantly their dealer networks and components suppliers...

Western producers believe that Daewoo has underestimated the enormous challenge of transforming the outdated, monolithic operations of former state-owned carmakers like FSO in Warsaw...

Some could be exported to western Europe, but growth is limited there. There is not a particular market for cheap cars in western Europe - otherwise they would sell more Ladas. But this is still a very interesting opportunity in central Europe...

OBSERVER

Monkey business

Brazil's environmental agency Iama may be toothless when it comes to saving the Amazon, and ineffectual at conserving the Atlantic forest. But it sure is ace at dealing with African chimpanzees...

So far, few Brazilians seem to support Iama's campaign. Most people think Iama would be better off tackling more or less any of the "real environmental nasties" threatening Brazil...

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Heady cocktail

Société Générale, the private sector bank, and the French post office aren't mixing. No, it's not because the latter has been delaying too many of the former's cheques in the mail...

Timor test It is hard to see how Europe's leaders can avoid raising the question of human rights at this week's EU-Asia summit in Bangkok...

Papal bull Australia's general election campaign is getting serious. Pope John Paul II has been dragged into the fray by a group of clergy unhappy with the opposition's plans for labour market reforms...

Post haste The St Valentine's Day cards were barely through the letter box before those hyperactive souls at Hallmark were dreaming up yet another card day...

Wild about Barry

"We're the bright young men who want to go back to 1910, we're Barry's Boys," chanted the folk-singing Chad Mitchell Trio in 1964 as they skewered Barry Goldwater...

It's not that Goldwater, now aged 87 and endorsing Robert Dole with his quip about being "the new liberals of the Republican party", has shuffled to the left...

Barry's Boys yearned to go back to when the poor were poor and rich were rich, and you felt so damn secure just knowing which was which...

Barry's Boys yearned to go back to when the poor were poor and rich were rich, and you felt so damn secure just knowing which was which...

100 years ago

Transvaal and General Mr Hamilton Smith, the managing director, said at the ordinary general meeting: "If we had taken more risks in the past year than we did take, the profits would have been very much larger..."

Japanese bonds fall The strongest possible protests were voiced by Stock Exchange dealers in Foreign Bonds yesterday at the statement of the Chancellor of the Exchequer in the House of Commons...

50 years ago "We're the bright young men who want to go back to 1910, we're Barry's Boys," chanted the folk-singing Chad Mitchell Trio in 1964...

Barry's Boys yearned to go back to when the poor were poor and rich were rich, and you felt so damn secure just knowing which was which...

Vertical text on the left margin containing various small advertisements and notices.

Vertical text on the right margin containing various small advertisements and notices.



**LEGAL DEFINITIONS**

counterfeit n. 1 singer caused by having more than 8 stems in basket (ref. supermarkets) 2 made in imitation; not genuine 3 (of a chairman etc.) presented. see ROWE & MAW: asap (ph 0171-248 4282)

Rowe & Maw

LAWYERS FOR BUSINESS

320-mile line in Florida will link Disneyworld

## Private sector to build US high-speed railway

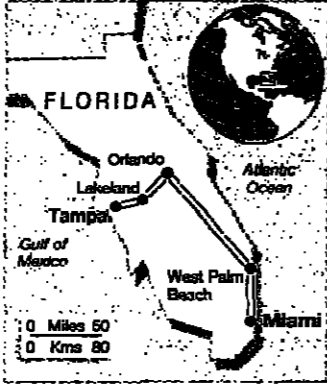
By Richard Tomkins in New York

The state of Florida has chosen a private sector partnership to build and operate the first high-speed railway system in the US at a cost of \$4.8bn.

The 320-mile railway, based on France's 300mph train à grande vitesse, will link the state's three largest cities and provide a new way of reaching Disneyworld in Orlando and other big tourist attractions.

The first stretch, between Miami and Orlando, is due to open in 2004. Travel time for the 224-mile journey will be 1hr 25mins. The second stretch, 95 miles between Orlando and Tampa, is due to open two years later.

Main partners in the consortium are Fluor Daniel, the biggest US construction company; GEC Alsthom, the Anglo-French developer of the TGV train; Bombardier, North America's biggest supplier of passenger rail cars; and Odebrecht Contractors of Florida, part of Brazil's Odebrecht Group.



The partners have formed a consortium called Florida Overland Express (Fox). It beat four other private sector groups to win a 40-year franchise to build and operate the system, after which it will revert to the state.

The consortium plans to finance the construction with bonds to be repaid by ticket sales. It has also formed an unusual partnership with the public sector under which the state will invest at least \$70m a year in the project for 25 years in

return for the right to assume ownership on the expiry of the franchise.

The Florida authorities said a one-way Miami-Orlando fare would be \$54 economy, or \$108 first class, at today's prices.

Although yesterday's announcement appeared to mark a firm go-ahead for the project, it faces several uncertainties. One of the biggest will be a choice of route: the consortium said the railway would use a new, dedicated right-of-way, but only 65 per cent of the new route would follow the path of existing lines.

One problem faced by any rail project in the US is that rail is rarely used for passenger transport. People use the roads for short-to-middle distance journeys, and over longer distances, they fly.

Previously, a private sector consortium planned to build a TGV-style railway in Texas. The consortium had a franchise from the state government and a detailed financing plan, but the project collapsed in 1994 through lack of funds.

## Rise in US consumer confidence hits hopes of rates cut

By Michael Prowse in Washington

Better than expected retail sales figures and a strong rebound in consumer confidence yesterday dented hopes in financial markets that the Federal Reserve would cut interest rates in the near future.

Shortly before the close, the Dow Jones Industrial Average was down 37.21 at 6,527.88 following a sharp fall on Monday.

Prices of shorter-dated bonds also retreated, reflecting fading hopes that monetary policy would be eased.

The Commerce Department said retail sales fell 0.3 per cent last month, largely reflecting weakness in car sales.

However, given the harsh winter storms, financial markets had expected a decline of about 0.5 per cent.

Sales data for December were revised substantially to show an increase of 0.6 per cent from November, rather than 0.3 per cent as previously reported.

The figures showed "pessimism on the consumer was overdone at the end of last year," said Mr Jim O'Sullivan, an economist at J.P. Morgan, the New York bank.

He said that, excluding cars, sales in January were running at a 2.8 per cent annualised rate above the average of the fourth quarter.

The Conference Board, a New York business analysis group, said its index of consumer confidence rebounded sharply this month, suggesting economic data last month may have been artificially depressed by severe winter weather and other distortions.

Its confidence index rose to 97 against 88.4 in January, almost regaining the 99.2 level registered in December. Confidence readings close to 100 typically signal solid economic growth.

The drop in confidence in January reflected "one-time circumstances - the blizzard, the government shutdown, the many lay-off announcements - rather than a signal from consumers that severe economic hardship was on the way," the board said.

In a separate report, the Labor Department said that producer prices for finished goods rose 0.3 per cent last month and by 2.3 per cent in the year to January.

The increase followed substantial price gains in November and December. However, as the price gains were concentrated in the energy sector, it was not seen as signalling a rise in underlying inflationary pressures.

Excluding food and energy, "core" producer prices fell 0.1 per cent last month.

Yesterday's figures follow a series of statistics pointing to a sharp deceleration in economic growth. However, some Wall Street economists now expect a modest rebound.

## IBM ends PC investment in Russia due to tax changes

By John Thornhill in Moscow

International Business Machines is ending personal computer production in Russia, blaming changes in the country's tax regime for undermining the economic rationale for manufacturing computers there rather than importing them.

Other western computer manufacturers are also complaining that tax breaks granted to Russian trading groups with connections in the Kremlin have undermined the local market's price structure.

"The decision is a serious setback to Russia's attempts to attract foreign investment and reflects the unpredictable business conditions that still bedevil many sectors of the economy."

The concessions to Russian trading organisations have

enabled some favoured dealers to sell imported computers free of tariffs and taxes, which normally amount to 21.5 per cent of the selling price.

"Some dealers have a way of getting computers into the country with reduced duties which few reputable companies can do. We are constantly up against them," said a sales executive at another western computer company.

Mr Alexei Yeliseyev, IBM project manager, said Russia's parliament had stripped IBM of previous exemptions allowing it to import components and manufacturing equipment free of tax, while Moscow authorities had failed to deliver on promises to buy up to 100,000 IBM computers. He said appeals to government ministers to help redress the tax imbalances appeared to have

been ignored. "My conviction is that Russia will only develop its industry if it creates a system of laws to support foreign investors and opens the door to famous companies like IBM," he said.

IBM started producing personal computers at the Kvant plant in Zelenograd near Moscow in 1993, believing it would give it a significant cost advantage over imported products. The US company invested about \$2m in equipment and training to enable one of Russia's leading computer manufacturers to produce IBM-branded computers from imported components.

In total, the plant manufactured 40,000 computers. Mr Yeliseyev said the decision to stop manufacturing IBM computers would result in some job losses among the plant's highly qualified employees.

## Copyright

Continued from Page 1

\$600m a year. The Japanese authorities had refused to rewrite their copyright rules, claiming the decision to extend copyright protection only as far back as 1971 was approved by the countries concerned.

However, after meeting President Bill Clinton, Mr Ryuzaro Hashimoto, the Japanese prime minister, issued a surprise statement saying that Japan would bring its rules into line with western countries.

## US West agrees merger

Continued from Page 1

which is currently in negotiations with Mr Rupert Murdoch's News Corporation, which is eager to enter the DBS market in the US.

Mr Lillis said although there was no direct link between yesterday's events and the legal wrangle between US West and Time Warner Entertainment, close personal connections between Continental and the Time Warner would help in the search for a solution.

The conflict is focused on Time Warner's planned takeover of Turner Broadcast System - in which Continental also has a stake - which US West claims contravenes the terms under which it bought its Time Warner holding in 1993.

US West, renowned for its aggressive efforts to rid itself of a reputation as the Baby Bell least likely to prosper in a deregulated communications market, claims Time Warner's restructuring plans would dilute its influence in the cable arm.

**FT WEATHER GUIDE**

**Europe today**  
High pressure just west of Ireland will bring dry conditions with sunny spells to the British Isles. An old front will stall over central France, the Benelux and northern Germany, giving cloud with occasional light rain or drizzle. The Alps and eastern Europe will be dry and generally sunny. An active disturbance over northern Spain will cause cloud and rainy spells from Portugal to central Spain. Northern Africa and southern Italy will have showers, some with thunder, and there will be strong gusty winds on Sardinia. Northern Italy will remain dry and sunny. A mixture of sun and cloud is expected in Greece and Turkey, but rain will spread across western Greece this evening.

**Five-day forecast**  
The British Isles will remain dry and sunny. Southern Scandinavia will have snow tomorrow. More rain is expected in Portugal and western Spain. Heavy rain will accompany a low pressure system as it sweeps across southern Italy tomorrow and into Greece on Friday. Central and eastern Europe will be generally dry. The Alps, the Czech Republic and Poland will have light snow on Friday.

**TODAY'S TEMPERATURES**

Maximum	Beijing	sun	10	Caracas	cloudy	30	Faro	shower	16	Madrid	cloudy	11	Rangoon	sun	33
Celsius	Belfast	sun	8	Cardiff	sun	8	Frankfurt	sun	8	Majorca	cloudy	15	Rangoon	snow	2
	Belgrade	sun	4	Casablanca	shower	16	Geneva	sun	10	Malta	sun	15	Rio	rain	29
	Bombay	sun	30	Chicago	windy	-1	Glasgow	shower	16	Manchester	sun	8	Rome	shower	13
	Buenos Aires	sun	21	Cologne	cloudy	8	Hamburg	cloudy	8	Melbourne	rain	19	S. Frisco	shower	13
	Dakar	sun	20	Dakar	sun	23	Helsinki	sun	15	Mexico City	sun	24	Singapore	cloudy	31
	Dallas	sun	30	Dallas	windy	15	Hong Kong	cloudy	18	Miami	sun	26	Stockholm	sun	1
	Delhi	sun	27	Hanoi	sun	26	Honolulu	sun	26	Milan	sun	11	Stockholm	sun	8
	Dubai	sun	30	Hong Kong	cloudy	26	Jakarta	sun	29	Montreal	snow	-3	Sydney	shower	26
	Chengde	cloudy	2	Dublin	sun	7	Karachi	sun	28	Moscow	sun	-2	Taipei	shower	18
	Cairo	sun	35	Dubrovnik	sun	13	Kuwait	sun	28	Nairobi	sun	29	Tokyo	sun	10
	Cape Town	sun	31	Edinburgh	sun	6	Las Vegas	sun	24	Naples	cloudy	13	Toronto	snow	-1
							Las Vegas	sun	18	Nassau	sun	26	Vancouver	sun	4
							Las Vegas	sun	21	New York	sun	15	Venice	sun	10
							Las Vegas	sun	27	Nice	sun	14	Vienna	sun	0
							Las Vegas	sun	15	Nicosia	sun	16	Warsaw	sun	-3
							Las Vegas	sun	8	Oso	sun	3	Washington	shower	18
							Las Vegas	sun	8	Paris	cloudy	9	Wellington	sun	20
							Las Vegas	sun	10	Perth	sun	35	Winnipeg	sun	-14
							Las Vegas	sun	18	Prague	sun	3	Zurich	sun	6

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

**Lufthansa**  
No other airline flies to more cities in Eastern Europe.

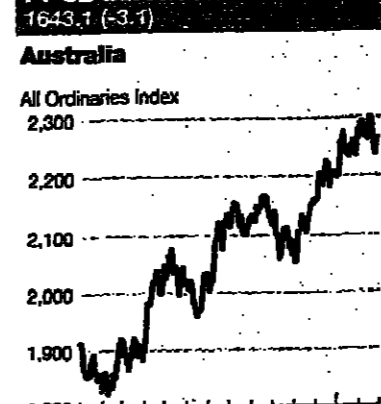
## THE LEX COLUMN Wild US West

This month's US telecommunications bill has produced the first in a probable flurry of mega-deals. As telephone companies are allowed into cable television and vice-versa, consolidation of the communications industry is inevitable. That said, US West's \$10.8bn acquisition of Continental Cablevision is a massive bet that a particular technology, cable TV, will be the winner in the coming competition. The aggressive Baby Bell has seemingly given little thought to alternative technologies such as digital satellite and "wireless cable". Though they may not enjoy the full interactive capabilities of fixed cable TV, they are certainly vastly cheaper to deploy.

The \$10.8bn price works out at \$2.570 per share - nearly a third more than the equivalent value for Telecommunications Inc (TCL), the largest US cable group. True, Continental Cablevision owns assets other than its US cable properties. But so does TCL. Moreover, US West is paying a pricey 11 times predicted 1996 operating cash flow.

Nor will this be the end of US West's investment spree. Further billions will be needed to upgrade Continental's networks to carry telephone traffic. US West could also end up increasing its stake in Time Warner's cable properties, which are nearly three times the size of Continental's. If Time Warner can squeeze the same valuation multiple that Continental has secured, it will be mad not to sell.

FT-SE Eurotrack 200: 1643.1 (-3.1)



Source: FT Intel

But breaking Chargeurs into two bits needs to be the beginning, not the end, of the refocusing process. Even after the demerger, the non-media side of the business - which processes wool, transports cars and makes protective film - will still be a rag-bag. Nor is there much logic behind the make-up of the media business - there is little synergy between Liberation, the Pathe cinema chain, and minority stakes in BSkyB and CanalSatellite. Mr Jérôme Seydoux, who is to run the new company, needs to show that he has future plans which stack up. Otherwise, his new baby will look suspiciously like a personal plaything.

oil platform, its French Sofresid subsidiary and a disastrous power plant contract - that are now either cleaned out or cured.

That said, Kvaerner is unlikely to offer much more than the current share price. It will also have to persuade Hongkong Land to part with its 26 per cent stake. Even after yesterday's rise, HKL would be taking a \$100m loss on its disastrous three-year investment. Nonetheless, with its growing interest in Hong Kong property, HKL is more likely to want to wash its hands of this UK irritant. Besides, the \$100m hit is little more than its attributable share of last year's Trafalgar losses.

**Australia**  
The jitteriness in Australia's financial markets ahead of Saturday's federal election is understandable enough. Opinion polls may have invariably given the conservative Liberal-National coalition a lead. But, with a significant number of voters yet to make their final decisions and the Labor party only two percentage points behind in some polls, the race is still open.

Nevertheless, those who hope a coalition victory will work wonders for the stock market are probably getting over-excited. An immediate rally may occur, given the coalition's traditional pro-business stance. But that could quickly be reversed by concerns that wages will rise unless the coalition and the powerful union movement can reach a *modus vivendi*. Similarly, the coalition's generous public spending promises - over A\$6bn (US\$4.5bn) during the three-year parliamentary term - could come back to haunt the market since they are based on old budgetary forecasts that now look over-optimistic.

Investors betting on a coalition win would do better to concentrate on sectors where the specific policy changes are in view. Media stocks are a good example, given that the coalition has pledged to review rules that restrict foreign ownership and prevent cross-ownership of metropolitan newspapers and television stations in the same market. It can surely be no coincidence that Mr Conrad Black, the Canadian media magnate currently unable to increase his 25 per cent stake in the John Fairfax newspaper group, will be in town for election night.

**Chargeurs**  
Shareholder value is catching on in some unexpected places - even France. And if Chargeurs' proposed demerger starts a trend, patient shareholders in France's sprawling holding companies will have plenty to be grateful for.

This demerger looks a classic of its kind. There never was any industrial logic in putting together wool processing with satellite television, and separating the two should have powerful financial logic as well. Chargeurs' FF9bn market capitalisation is accounted for by its 17 per cent stake in BSkyB alone; even after subtracting Chargeurs' debts, the value of the demerged businesses should be comfortably above that. There is some minor jewels as well. Chargeurs' 20 per cent stake in CanalSatellite is one of its 50 per cent stakes in Renn Productions, which makes some of France's few popular films, is another.

**Trafalgar House**  
Kvaerner has become the patron saint of distressed British construction and engineering companies. Fresh from its feat of re-rating shares in Amec, where its bid was considered too mean, the Norwegian group has now gone for the even greater challenge of Trafalgar House.

At first sight, it is hard to see why it should be interested. Not only has Trafalgar become a substantial loss-maker with distant recovery prospects; it also owns a bundle of non-core businesses from property to a troubled cruise line. But Trafalgar has some appeal. Its mountain of losses mean Kvaerner could build up a substantial UK business without paying tax. The Norwegian company's shipbuilding business gives it some expertise in the luxury shipping market, and it certainly knows all the potential buyers. Meanwhile, Trafalgar's engineering problems have centred on three issues - the Emerald Producer

**ISSUERS**

To bring together those who have money to invest with those who seek to raise it is a fundamental of international investment banking.

To do so in primary and secondary markets with skill and strength, in a way and at a price that leaves both sides well satisfied, is a fundamental of BZW.

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Foreign Exchange Market Information SPOTBOX

IVECO Ford TRUCK BRITAIN'S INTERNATIONAL TRUCK MANUFACTURER

FINANCIAL TIMES COMPANIES & MARKETS Wednesday February 28 1996

FRUEHAUF TRAILERS Carrying the nation's goods

IN BRIEF

Bremer Vulkan cash 'all gone'

Mr Hero Brahm, head of the supervisory board of Bremer Vulkan, the troubled German shipbuilder, confirmed that a DM654m (\$651m) investment package originally earmarked for Bremer Vulkan's two east German shipyards had "all gone".

Océ-van der Grinten expects strong year Océ-van der Grinten, the Dutch photocopier and office products group, said strong demand for its new products in 1995 created an excellent starting position for the company to post a further improvement in results in 1996.

Skoda Pizen to take stake in Tatra Skoda Pizen, the Czech engineering group, said it had agreed to take a 43.5 per cent stake in the ailing truckmaker Tatra, signalling another big step in the rationalisation of the country's troubled truck sector.

Nordic steel groups rise sharply SSAB of Sweden and Finland's Rautaruukki, the Nordic region's two leading steel groups, showed big profit increases in 1995, but warned of tougher market conditions this year.

AT&T to introduce Internet access service AT&T is aiming to persuade many of its 80m US long-distance telephone customers to sign up for a new Internet access service by offering it free for the first 12 months.

Slow markets pull Matsushita down 23% Matsushita Electric Industrial, the world's largest consumer electronics company, said the weak Japanese market and a slowdown in the US and Europe, plus the sale of its US movie business, contributed to a 23 per cent decline in third-quarter profits to ¥70.1bn (\$672m) compared with the same period last year.

UK insurer turns back on price cutting General Atlantic became the first large insurer to attempt to reverse fierce price cutting in UK private motor insurance. It announced rises averaging 4 per cent from April.

Barclays rises and buys back 40m shares Barclays Bank spent £306m (\$471m) to buy back 40m of its shares on the strength of a 12 per cent rise in pre-tax profits to £2,080m.

Analysts see fresh assault on silver price Syndicates which tried unsuccessfully to manipulate the price of silver above \$6 a troy ounce last year were biding their time for another push upwards, analysts suggest.

Table with 2 columns: Company Name and Share Price/Change. Includes AT&T, BK Vision, Benetton, etc.

Market Statistics table with columns for various market indices and their values.

Chief price changes yesterday table with columns for market indices and their daily changes.

Chargeurs to split into two quoted units

French media and textile group plans demerger to concentrate better on its diverse businesses

Chargeurs, the French media and textiles group, yesterday announced its intention to split into two separate quoted companies, in what is believed to be the first example in France of a large demerger.

Shareholders will be given one share in each company for each of their current shares. Chargeurs International will include the group's wool trading and processing businesses, fabrics and linings operations, Walon distribution company and Novacel adhesive film maker.

Shareholders will be given one share in each company for each of their current shares. Chargeurs International will include the group's wool trading and processing businesses, fabrics and linings operations, Walon distribution company and Novacel adhesive film maker.

Sabena appoints Swissair director as chief executive

The Swiss group paid FF6.5bn for its 49.5 per cent stake in Sabena last summer, with an option to increase this to 62.25 per cent after 2000.

Sabena, the Belgian airline that is 49.5 per cent owned by Swissair, yesterday appointed a Swiss chief executive, after months of clashes between management and the unions forced the resignation of Mr Pierre Godfried.

Mr Paul Reutlinger, an executive vice-president of Swissair, hopes to draw a line under the industrial strife that has crippled the airline since November by establishing a new management and negotiating structure.

The extent of Sabena's difficulties was underlined by the announcement yesterday of full-year results. The group posted a BF550m (\$17.3m) consolidated loss for last year, compared with losses of BF1.2bn in 1994. Sabena said its non-consolidated loss for last year was BF1,665m compared with a 1994 loss of BF1,4bn.



Philip Condit, above, takes over as chief executive of Boeing in April. He succeeds Mr Frank Shrontz, who will remain chairman of the board.

Orange to aim for market capitalisation of up to £2.4bn

Orange, the UK mobile phone group, will today announce that it is aiming for a market capitalisation of about £2.2bn-£2.4bn (\$3.4bn-\$3.7bn) in its forthcoming flotation.

Bankers involved in the share sale deny that the reduced valuation range is related to recent decisions by rival UK mobile telephone companies Vodafone and Celtel to cut tariffs in order to compete more vigorously with Orange.

Barry Riley

Why bonds reign supreme for German investors

German government bonds have been heavily involved in the latest global bond market correction, with the yield on 10-year bonds jumping more than 50 basis points in the past month.

The Dutch comparison is especially interesting here because it shows that the German stock market's problems have nothing much to do with the hardness of the currency or the toughness of the Bundesbank.

Since 1960, the picture in the UK has been different. Apart from the 1980s, when German equities performed strongly during the Wirtschaftswunder period of 8 per cent annual economic growth, bonds have outperformed.

A fundamental difference in the Netherlands is the presence of substantial pension funds which are active investors in equities (although not as committed as their UK counterparts).

In Germany, on the other hand, the absence of big domestic institutional investors in the stock market is a subject for official concern. There is a chicken-and-egg problem here: unless German institutions see a good return they will not be attracted to German equities, but at the same time, German companies will not give shareholders a better deal until there are powerful domestic voices demanding action.

During the same period, the UK picture has been different. The real return on equities has been 8.7 per cent, vastly greater than that on German equities and much higher than the modest real return of 2.5 per cent on UK government bonds.

However, the difficulties of core German industrial enterprises ranging from Daimler-Benz and AEG to the latest trouble spot, Bremer Vulkan, emphasise the cultural adjustments that still have to be made.

Potential Fokker saviour pulls out

Bombardier, the Canadian aerospace company, yesterday withdrew as a candidate for rescuing Fokker, the near-bankrupt Dutch airplane maker.

Fokker's future now lies either in the hands of a second potential bidder, Samsung of South Korea, or in its taking a "stand-alone" role in slimmed-down form, with financial support from Dutch banks and Dutch companies.

Mr Michel Lord, vice-president of communications at Bombardier, said its talks had not reached the stage of discussing financial support for a Fokker rescue with the Dutch government.

Mr Wijers said the government might be prepared to put up a further F125m-F130m (\$15m-\$18m) to tide the company over for a week or two.

Mr Wijers also confirmed that Mr Harry Langman, a former minister of economic affairs and former head of ABN Bank, was canvassing opinion among financiers and industrialists in the Netherlands regarding the possibility of an all-Dutch rescue for Fokker.

Advertisement for GM Buses South, featuring a large image of a bus and text about employee shareholding and funding.



## INTERNATIONAL COMPANIES AND FINANCE

## Bremer Vulkan admits investment cash 'all gone'

By Judy Dempsey in Bremen

Mr Hero Brahm, head of the supervisory board of Bremer Vulkan, the troubled German shipyard, yesterday confirmed that a DM854m (\$500m) investment package originally earmarked for Bremer Vulkan's two east German shipyards had "all gone". The group, Germany's largest shipbuilder, last week applied for protection from its creditors.

He said the money, backed by state guarantees, had been placed by Bremer Vulkan in a cash management fund with minimal control exercised by the supervisory board or the BVS, the successor to the Treuhand privatisation agency.

The Treuhand, which had sold the east German shipyards to Bremer Vulkan in late 1992, was supposed to have monitored the dispersal of those investments.

"I could not have imagined how so much money could have been spent so quickly," said Mr Brahm, appointed head of Bremer Vulkan's supervisory board last December after Mr Friedrich Henneemann was ousted as chairman.

Most of the DM854m had been spent propping up loss-making divisions and on other projects, according to Mr Udo Wagner, the company's new chairman. Group losses for last year are expected at DM1bn.



Rough seas: Udo Wagner (left) and Jobst Wellensiek answer questions in front of Vulkan's main plant in Bremen yesterday

Bremer Vulkan's most immediate cash-crisis was alleviated when a consortium of banks yesterday agreed to provide DM60m of additional capital. But company officials admitted

the support, spread over two months, was "peanuts". The banks, which are already owed DM1.4bn by Bremer Vulkan, yesterday agreed to the cash injection after hold-

ing talks with Mr Jobst Wellensiek and Mr Wolfgang van Beteray, the lawyers overseeing the *Vergleich*, the procedure intended to stave off bankruptcy by reducing and re-

scheduling a company's debts. The DM60m will be used to pay suppliers and complete some projects. The employment office has allocated a further DM80m to pay wages.

Mr Wellensiek said the next two months would be crucial as Bremer Vulkan's management attempted to draw up a re-structuring plan aimed at saving as many of the 23,000 jobs as possible.

Already, there are signs that the Bremer Vulkan holding company will be broken up, with its shipbuilding division remaining as before.

STN Atlas Elektronik, one of the company's few profitable divisions, has already been hived off. The banks last week granted it a fresh credit line of DM200m.

In contrast, Dörries Scharmann, the machine construction division, could face bankruptcy. Mr Wagner yesterday said its losses for this year would be "very high". Its losses for 1995 exceed DM220m.

The future of Bremer Vulkan's two east German shipyards is still unclear. Yesterday, the government of Mecklenburg-Vorpommern, where the yards are located, suggested they could be privatised again, even though the Treuhand had already invested more than DM1.2bn of taxpayers' money into these shipyards.

"The east German yards need western know-how if they are to become productive and competitive," said Mr Brahm. "It would be hard to see them standing independently."

## EUROPEAN NEWS DIGEST

## Swiss financier to back UBS board

Mr Stephan Schmidheiny, the Swiss financier who has just bought SF735m (\$214.6m) of Union Bank of Switzerland registered shares, will vote the shares in support of the bank's board at the April 16 AGM. The revelation, by Mr Jacques Kaegi, an associate of Mr Schmidheiny, may make it more difficult for the maverick Zurich broker Mr Martin Ebner to muster a majority of votes against the board's proposals.

Meanwhile, Mr Ebner's BK Vision investment fund, which is the largest UBS shareholder, confirmed it would not put up an alternative candidate to Mr Robert Studer as the bank's new chairman.

Mr Kaegi also confirmed Mr Schmidheiny had bought his registered shares from BK Vision. It is not surprising that BK would be willing to sell: it held 4.4m shares at last report, but under UBS statutes is only entitled to vote 1.1m, 5 per cent of those issued. However, observers are surprised that Mr Ebner would sell 523,200 shares to Mr Schmidheiny if he knew the financier would vote the shares in support of the board.

Ian Rodger, Zurich

## Production boost lifts Saga

Saga Petroleum, Norway's largest independent oil company, said higher production helped it achieve a 66 per cent increase in 1995 pre-tax profits, from Nkr1.21bn to Nkr2.01bn (\$317.2m). Operating profits rose from Nkr1.55bn to Nkr1.88bn, and the dividend was lifted to Nkr2.50 a share from Nkr2.

The company, listed on the New York Stock Exchange last year, said its oil output rose from 108,600 barrels a day in 1994 to 117,500 b/d, while total annual oil sales climbed from 34.6m barrels to 39.2m. Average oil prices eased from Nkr110 a barrel to Nkr108. The company's reserves at year-end stood at 1.13bn barrels, up 102m barrels over the year. The shares closed unchanged at Nkr77. Christopher Brown-Humes, Stockholm

## Havtor saves Bergesen

Bergesen, Norway's biggest shipping company, nearly doubled pre-tax profits from Nkr258m to Nkr502m last year, after its Nkr4bn purchase of the Havtor gas shipping group helped offset the impact of weak tanker markets. Operating profits jumped from Nkr16m to Nkr279m. Bergesen acknowledged it would have made a loss without Havtor and without a change in depreciation rules for its liquefied petroleum gas carrier fleet. Havtor has been included in its accounts from January 1995, and pro-forma figures given for 1994.

Bergesen said tankers incurred a Nkr224m loss, down from a Nkr281m deficit a year earlier. But gas shipping lifted profits from Nkr202m to Nkr491m, and dry bulk profits moved up from Nkr65m to Nkr70m. The group forecast similar operating profits this year. It said higher contract rates for its big LPG carriers would be offset by slightly weaker results for its dry cargo fleet. Tankers, meanwhile, could expect another weak year. Christopher Brown-Humes

## Cerus report hoists Valeo shares

Shares in Valeo, the leading French car component maker, rose yesterday on reports that Mr Carlo De Benedetti, the Italian industrialist, would sell the 28 per cent stake in the company which he holds through his French group Cerus. Cerus, which has consolidated debts of around FF72bn (\$40.1m), insisted it had not taken a decision about the future of its stake in Valeo. The car parts maker last year made net profits of FF71.01bn. Valeo shares closed up FF13.50 at FF278.

Cerus has already asked its banks to review its operations. Market rumours have been gathering strength in Italy that the De Benedetti family would make a disposal to reduce the 1.700bn debts of Cir, the main industrial holding company, which controls 49 per cent of Cerus. Cir's shares closed L144 higher at L884.

Cir postponed a rights issue last year and analysts say cashflow from its subsidiaries is not sufficient to service the debt. Mr Gianluca Codagnone, of Milan securities house Aloisio Foglia Ventura, said Cir "had to make a strategic choice. It clearly lacks the resources to carry out all its activities". John Simkins, Milan

## New Gemina board named

Shareholders of Gemina, the troubled Italian investment company controlled by Fiat, Mediobanca and corporate allies, have elected a new five-man board. It includes only Mr Manfredo Manfredi from the board which stepped down last week. Mr Giorgio Rossi, a former head of chemicals group Smia Fibre, becomes chairman. Mr Paolo Sabatini, who has held a number of roles within Fiat, will be managing director. Mr Piero Schlesinger, ex-chairman of the Banca Popolare di Milano, becomes secretary to the board. Gemina also appointed Ernst & Young as auditor, replacing Coopers & Lybrand, which was banned last month by Consob, the stock market watchdog, from auditing Gemina. John Simkins

## Orkla ahead 22% for year

Orkla, the Nordic region's biggest food and drinks producer, reported a 22 per cent increase in 1995 pre-tax profits from Nkr1.57bn to Nkr1.93bn. The figures include first-time contributions from food businesses acquired from Volvo of Sweden last year, and from Orkla's Prippe-Ringnes beverage joint venture with Volvo. Operating revenues rose 4 per cent to Nkr21.5bn, while operating profits climbed from Nkr1.54bn to Nkr1.74bn.

A Nkr219m gain on the sale of the group's Polish beverages business helped generate total gains from the sale of industrial units of Nkr367m. But these were offset by a Nkr160m restructuring charge for Abba Seafood, one of Volvo's food businesses, and a Nkr90m provision linked to Coca-Cola's unexpected decision, late last year, to terminate its licensing and production agreement with Prippe-Ringnes in the Swedish market. The move has still to take effect, and the two sides are still discussing alternatives for future co-operation. Procordia Food and Abba Seafood, Volvo's food businesses, were consolidated from October 1, while Prippe-Ringnes, where Orkla has 45 per cent, took effect from January 1 1996. Christopher Brown-Humes

## Banco Ambrosiano raises payout

Banco Ambrosiano Veneto, the Italian bank, raised net profits 22 per cent to L160bn in 1995. It said it would increase dividends on ordinary shares from L150 to L160. Dividends on saving shares will increase from L170 to L180. John Simkins

## Océ upbeat after 20% earnings rise

By Ronald van de Krol in Amsterdam

Océ-van der Grinten, the Dutch photocopier and office products group, said strong demand for its new products in 1995 created an "excellent" starting position for the company to post a further improvement in results in 1996.

As expected, the company yesterday unveiled a 20 per cent rise in 1995 net profit to Fl 103.3m (\$66.8m), on sales up 6 per cent at Fl 2.93bn. The results, which cover the financial year ended 30 November, were in line with provisional figures released in January.

Océ said its annual dividend would be raised from Fl 2.25 to Fl 2.50.

Mr Harry Pennings, executive-board chairman, said the main factor behind the rise

was the successful launch of five machines, the largest number in any year in the company's history.

Yesterday Océ also presented its Eurocolour copier/printer, developed at a cost of Fl 240m over 10 years. Mr Pennings said the copier was capable of making 25 colour copies a minute, compared with the seven to eight copies achieved by existing colour copiers made by other manufacturers.

Buoyant demand in 1995 for the other new machines enabled Océ to counteract the negative effects of the strong guildler. Mr Pennings said 1995 turnover would have risen 12 per cent, rather than 6 per cent, if exchange rates had been unchanged. About 60 per cent of sales were in countries whose currencies declined by

10 per cent against the guildler - the US, the UK, Italy, Spain and Australia.

Referring to the company's 1996 profit forecast, Mr Pennings said: "We make a reservation in particular for the consequences of any further negative foreign exchange rate effects."

Another reason for the company's confidence about 1996 was the agreement in principle, reached on Monday, to acquire Siemens Nixdorf's printing systems business for Fl 900m. It expected earnings per share to rise 10 per cent as a result of the purchase.

A share issue representing 20 per cent of the company's existing ordinary share capital would raise about Fl 400m. A separate issue of a new class of shares - cumulative preference shares aimed at institutional

investors - would generate a further Fl 100m to Fl 150m. The rest of the purchase price will be financed by bank loans or a bond issue.

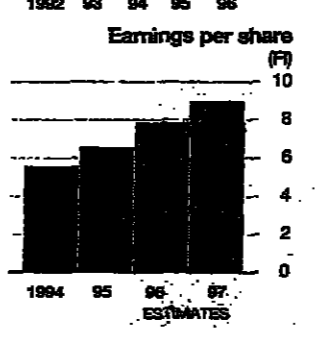
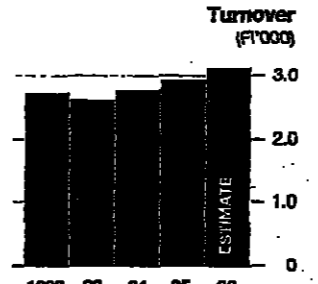
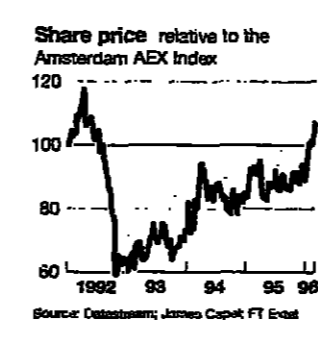
Fourth quarter sales rose 14 per cent year-on-year and would have been up 19 per cent without exchange rate changes. Engineering systems sales expanded 21 per cent - up 27 per cent excluding exchange rates - and office systems sales were up 9 per cent or 13 per cent.

Fourth quarter operating profit rose to Fl 69.6m from Fl 53m a year earlier. Net profit was up 28 per cent and amounted to 4.4 per cent of sales compared with 3.9 per cent a year earlier.

Fourth quarter cash flow was almost Fl 101m guildlers, from almost Fl 91m last time, the company said.

## COMPANY PROFILE: Océ-van der Grinten

Market capitalisation	\$1,278bn
Main listing	Amsterdam
Historic P/E	20.7
Gross yield	1.77%
Earnings per share	Fl 6.6
Current share price	Fl 131.5



## Fifth Annual Meeting INVESTING IN THE AMERICAS '96 INVIRTIENDO EN LAS AMERICAS '96 Quinta Reunion Anual

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DATES: April 22-25, 1996.

REGISTRATION: Registration includes: attendance during the 4 days of the Conference, coffee breaks, luncheons, cocktail receptions, simultaneous translation equipment and

a copy of the official Conference publication, *The Mining Guide to Latin America*. The registration fee for payments received by the dates indicated are as follows:

Before April 1, 1996 ..... US \$795.00  
After April 1, 1996 ..... US \$995.00

In order for the respective fee to apply, payment must be received by the date indicated—no exceptions.

## Some of the Featured Presentations:

Barclays Metals Group  
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Billiton  
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Companhia Vale do Rio Doce -CVRD  
Echo Bay Mines  
Falconbridge

Gencor  
Inmet Mining Corporation  
Nebitt Burns  
Teck Corporation  
TVX Gold Inc.  
Westmin  
Yorkton Securities

## PROGRAM HIGHLIGHTS

- ◆ Will Latin America Continue to receive the largest amount of exploration expenditures of any major region?
- ◆ Is Brazil at a Crossroads for Mining?
- ◆ Why are more and more exploration expenditures directed to base metals and diamonds?
- ◆ Will Mercosur open more opportunities for joint ventures and mergers and acquisitions across borders?
- ◆ Why is there continuing to be withdrawal of extensive tracts of land from exploration and development?
- ◆ How to rank project risk...mineral potential, country, company, opportunity, property, and the deal itself?
- ◆ How important should a country's mining heritage be to a foreign investor?
- ◆ Is there a best way to manage Strategic Alliance Partners?
- ◆ Who is the most valuable contact to tap available capital in today's market?
- ◆ How to bring emerging markets into a profit motive mentality?
- ◆ Which is the fastest growing country in Latin America?
- ◆ Which companies have the ability to fast track a find through to production?
- ◆ Will privatization efforts continue to speed up as governments step back?
- ◆ What is the best investment for the next five years?
- ◆ Is your Company positioned to profit in Latin America?

## Ministers Roundtable

A series of country roundtables for the Mine Ministers and their delegations to meet with investors for an open discussion of the mining laws, availability of mines for investment and specific questions relating to mine development in their country. Continental breakfast will be served during these daily sessions.

## 1996 Update - Enabling the Environment

Moderated by Felix Remy, Senior Industrial Mining Specialist, The World Bank

- ◆ The Legal Framework
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- ◆ The Institutions
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## Skoda Plzen to take Tatra stake

By Vincent Boland in Prague

Skoda Plzen, the Czech engineering group, said yesterday it had agreed to take a 43.5 per cent stake in the ailing truck maker Tatra, signalling another big step forward in the rationalisation of the country's troubled truck sector.

The proposed acquisition would give Skoda control of the entire heavy truck sector in the Czech Republic, after its purchase last year of Liaz, which makes long distance haulage vehicles.

Tatra specialises in heavy-duty off-road vehicles used in the oil exploration, construction and forestry industries. Skoda had made no secret of its desire to acquire Tatra and merge its operations with Liaz, making the engineering group a potentially significant force in the east European truck industry.

Last year the third domestic truck maker, Avia, was acquired by the South Korean group Daewoo in a joint venture with Steyr-Daimler-Puch of Austria. Avia makes light vehicles and vans.

Skoda Plzen is unrelated to Skoda Automobilova, the Czech car subsidiary of Volkswagen of Germany.

Skoda's move is part of a consolidation plan for Tatra which was drawn up with the heavily indebted truck maker's main bankers. It comes before a meeting of Tatra shareholders tomorrow which was called

originally to discuss a survival plan involving a debt-for-equity swap by Komerční Banka, which is owed about Kč3.8bn (\$141.3m).

Skoda had been tipped to take operational control of Tatra on behalf of Komerční if the debt-for-equity swap went ahead. Skoda would acquire its stake from Cimex Holding, a private investment company. Terms of the transaction were not disclosed.

The Czech truck industry plunged into losses after the collapse of its main markets in the former Soviet Union. Tatra clawed its way back to profitability last year, earning Kč290m before tax, but production fell to 2,048 trucks compared with 15,000 annually in its heyday. In 1994 a management team led by the US auto industry executive Mr Gerald Greenwald attempted to rescue Tatra's fortunes. It withdrew after a culture clash with Czech managers.

Skoda's move also follows last week's announcement by Tatra that it had won a \$180m contract to supply more than 1,100 military vehicles to the United Arab Emirates. It was the company's first large order for several years.

The value of the two-year contract is nearly double the group's projected turnover for 1996 of Kč2.2bn. The vehicle to be supplied to the UAE is a specially adapted version of the T815 off-road truck, its main product.

## Nordic steel groups ahead sharply

By Christopher Brown-Humes in Stockholm

SSAB of Sweden and Finland's Rautaruukki, the Nordic region's two leading steel groups, showed big profit increases in 1995, but they warned of tougher market conditions this year.

Mr Leif Gustafsson, SSAB chief executive, said that west European steel consumption was expected to fall in 1996, while price pressures, which began in late-1995, had continued.

Rautaruukki echoed the remarks, but said that while steel prices were likely to be "unstable" in the first half, they could recover later in the

year after stocks had unwound.

SSAB reported record profits of SKr3.83bn (\$566m) for 1995, up 90 per cent from SKr2.14bn a year earlier. Rautaruukki said its profits improved 45 per cent from FM658m to FM654m (\$212m). Its best result this decade.

Mr Gustafsson said SSAB's operating businesses had seen a return on capital employed of more than 40 per cent in 1995 - "a level we have not seen in the steel industry in living memory". Operating revenues rose from SKr15.7bn to SKr19bn, while operating profits increased from SKr2.08bn to SKr3.48bn.

The improvement was driven

by an 8 per cent rise in western European steel consumption last year and a strong rise in prices.

However, while SSAB's average prices were 19 per cent higher in 1995, prices fell 5 per cent during the fourth quarter, aggravated by the strengthening of the Swedish krona.

The combination of lower prices and the strong krona means the group expects lower margins in 1996. It also anticipated that lower activity in the Swedish export-orientated manufacturing industry would hurt its trading and processing volumes.

Rautaruukki's turnover rose 12 per cent to FM9.2bn in 1995 and operating profits expanded

from FM1.05bn to FM1.28bn.

The group said its average prices in western Europe were 10 to 15 per cent higher, although prices for hot and cold rolled steel fell in the final quarter. Steel demand grew strongly in the Nordic region, due to greater capital spending and higher exports. Again, growth tailed off in the fourth quarter as stocks filled up.

Rautaruukki, which recently increased its stake in Fundia, a Swedish long steel producer, from 50 to 100 per cent, forecast 1996 turnover of FM9.5bn. SSAB is lifting its dividend from SKr2.5 to SKr4 a share, while a 70 per cent increase at Rautaruukki will take the payout to FM1.70 per share.

مركز الاستثمار



INTERNATIONAL COMPANIES AND FINANCE

OBITUARY - WOLFGANG SCHIEREN

# Quiet architect behind Allianz push in Europe

Wolfgang Schieren, who built Germany's Allianz insurance group into one of the world's most powerful financial institutions, died at the weekend aged 68. A discreet, softly-spoken man with clear strategic views, he exerted a strong influence behind the scenes in German finance and industry and pushed Allianz deep into European markets.



Wolfgang Schieren: half his 40 years at Allianz were as chief

Schieren spent his whole working life with Allianz, which he joined 40 years ago after studying economics and law. He was initially rejected by its Munich headquarters but joined the Cologne office, and became chief executive in 1971 at the age of 44, a position he held for 20 years before retiring five years ago to chair the supervisory board.

During his time at the head of Allianz, Europe's largest insurance concern, its premium income rose from DM3.4bn to DM49bn (\$34bn), with the foreign share advancing from 3.2 per cent to 48 per cent of the total. Allianz became the most highly capitalised company on the German stock exchange, bought by many institutional investors as a proxy for the whole market because of its widespread holdings in German banks and industry.

While expanding the group geographically, Schieren also strengthened its marketing structure, stressed computerisation and focused on cost management as well as market leadership. In 1984, Allianz bought RAS, the big Italian insurance company, adding Cornhill of the UK two years later. It failed to acquire Eagle Star of the UK in 1981 after a "dawn raid" on the shares, but netted a DM530m profit when it sold its holding.

After the Eagle Star failure, Schieren initiated a restructuring of Allianz - with a new holding company above the direct insurance activities - to give it more flexibility, especially when making acquisitions.

It pounced again in 1990 to buy Fireman's Fund in the US, a company which has since performed below the industry average but which Allianz says is now progressing well.

It also moved swiftly to build up a dominant position in the then East Germany, acquiring the former state monopoly as currency union between the two Germanys came into effect in mid-1990, before reunification. This deal annoyed Allianz's domestic rivals and has involved a very large investment to modernise the eastern German operation, which finally moved into profit last year.

Wolfgang Schieren will be succeeded as chairman of the supervisory board by Mr Klaus Liesen, head of Ruhrgas, the German energy concern.

OBITUARY - VEHBI KOÇ

# Self-made leader of Turkey's industrial first family

Vehbi Koç, who has died at the age of 85, was the last of a rare breed. Until his death, his company, Koç Holding was the only one of the Fortune 500 list of international businesses still owned and led by its eponymous founder.

A balding, slightly built figure, Koç spoke only Turkish, never learnt to drive and advanced no further than eighth grade at school.

From modest roots, he built up Turkey's largest industrial empire. The son of a store keeper, he started out with an investment of about US\$8. He leaves behind one of the largest private fortunes and the most advanced industrial conglomerate in the country, with a turnover of US\$9.5bn last year.

There is a fair chance that whatever you buy in Turkey today, whether a car, a washing machine, a tin of peeled tomatoes or a bottle of household gas, it will carry one of the Koç company brand names. His success as a businessman is explained by three main factors - a canny choice of partners, skilful use of government incentives and a keen eye for the market.

Growing up in the 1920s in Ankara, the capital city created by Atatürk, Koç was the first Turk to challenge the

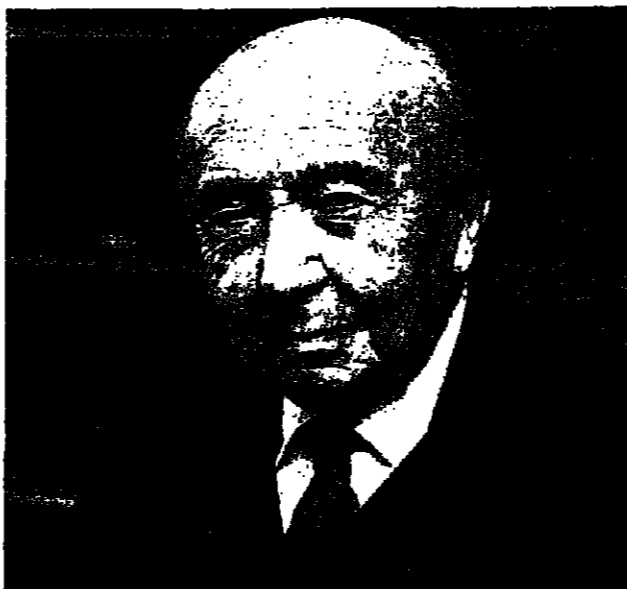
trading power of Turkey's Christian minorities - particularly the Greeks and Armenians. In the Ottoman times, the bureaucracy or the army were the careers of choice for a Turk. Commerce had always been somewhat despised.

"I noticed the minorities led a better life. Their standard of living was much higher than the Turks', so I decided to go into business," he said.

In those days ethnic Turkish managers were thin on the ground. Koç was quick to make use of the business skills of the local Jewish and Armenian traders.

In an autobiography published in 1977, Koç switches from graphic accounts of the poverty of the early republican days to homespun business aphorisms typical of many self-made men. He recalls the first car he saw. "A Catholic named Arslanguller brought it to Ankara. It was nicknamed 'the infidel's car'." Today the Koç empire dominates the automotive sector, just as it does electronics, household gas and food processing.

After the first world war, he spotted the business vacuum created by the departure of the Christian minorities. He is said to have seized on the shortage of building supplies, taking roofing tiles from the homes of



Vehbi Koç: his first investment of \$8 became turnover of \$9.5bn

departing Christians to make his first money.

Whatever the exact starting point, he quickly won a contract to build the roof of Turkey's Grand National Assembly - an undertaking which was to seal his close relationship with the Turkish state for more than five decades.

After the second world war,

a Ford Cortina variant. The Koç empire now accounts for about a fifth of Turkey's gross national product and generates close to 5 per cent of Turkish exports. On the Istanbul stock exchange, Koç companies comprise about 15 per cent of the market capitalisation. The company has about 45 per cent of the car market, is the leading producer of white and brown electronic goods, and the largest competitor in the domestic household gas market.

Certainly no Turkish government, whatever its political complexion, could afford to ignore his counsel. A confidant of presidents and prime ministers, Koç was once likened to Italy's Gianni Agnelli - an industrialist with whom he had close ties.

The Koç company was instrumental in shaping the country's industrial policy in the 1960s and 1970s - with investments in the so-called import substitution sectors. But as one Ankara banker put it: "Mr Vehbi was born a trader and will die a trader."

His next big enterprise - in 1959 - was a link-up with Ford Motor to produce buses and trucks. In 1967, the Koç company produced Turkey's first homemade car - the Anadolu,

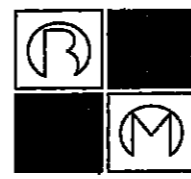
not look out of place in a magazine on interior design. The building, which originally comprised a harem, a Turkish bath, stables and coachman's quarters, is today a statement of the Koç business style. The interior is adorned with fine carpets and modern paintings, the garden peppered with Greek and Roman "spolia".

Koç himself was a man of frugal tastes. Unlike Rahmi Koç, his son, Vehbi took his holidays in a modest hotel in Erdek, a resort on the Sea of Marmara popular with Ankara civil servants in the 1950s but now somewhat spoilt by development and water pollution.

When the headquarters were renovated, it is said he strongly resisted plans to add a swimming pool and that when one of his grandsons bought a red sports car, he refused to allow it to be kept in the compound.

Even after major brain surgery in 1994 he would still go every day to the company offices at Nakkastepe, and read the board minutes.

In his later years, he directed his energies more and more to charity work. The holding company he leaves behind is still controlled by the family. The succession is a problem his children, Rahmi and three daughters, will have to tackle.



## Bieffe Medital

Providing solutions for the future

The pharmaceutical group Bieffe Medital operates on an international level in the parenteral solutions and hospital supplies field.

Founded in Italy in 1958, the company has been widely growing in the main foreign markets: in Europe, thanks to a network of production sites, it exists in Italy, Spain and Switzerland while, thanks to its marketing and sales structures, it also exists in France, Belgium, Holland and Greece. Beyond these regions, Bieffe Medital is active in the UK, Ireland, Scandinavia, Eastern Europe (Poland, the Czech Republic and Slovakia, Hungary), North Africa (Algeria, Tunisia, Libya, Egypt), the Middle East (Jordan, Kuwait, the U.A.E.) and America (Venezuela, Ecuador).

**A dynamic company always in expansion**

Bieffe Medital in 1995 reached a yearly production of more than 60 million units of parenteral solutions, some for dialysis, and more than 30 million pieces of equipment for their administration, having developed its own technology, which is promoted and sold successfully all over the world (the most recent objective reached was in China, where the group entered into a joint venture with the State owned company Tianjin Amino Acid). The importance of foreign markets is continually growing: in fact about 60% of Bieffe Medital's sales are in the Italian Market while around 20% is realized in other European countries and the rest in Latin America and Asia.

**Unique products in the peritoneal dialysis field: patented the first bio-container not made in PVC**

The core of Bieffe Medital's business is products

for dialysis: besides the production of specific solutions for hemodialysis and blood filtering, the company has also patented "Clear Flex" the unique bio-container for peritoneal dialysis not made in PVC, realized in more bio-compatible and ecological plastics.

After 5 years of research, Bieffe Medital presented "Clear Flex," a unique product that reduces possibility of risks of peritoneum infections, doesn't contain plasticizers and -being completely thermo-resistant- permits sterilization at 121° C. By virtue of its composition, "Clear Flex" is particularly appreciated in countries who care about ecology.

The company is moreover developing the urological products area: the most important product is urological irrigation sets based on one or more irrigation lines and systems for the collection of irrigation liquids. The Surgery Division - whose main product is a flexible endoluminal stapler- and the Pharma Division - that produces aminoacid solutions and anesthetic products- complete the range of products.

**Research and development: a strategic sector for Bieffe Medital's production**

Research plays a key role in the strategies of the company that in 1995 has heavily invested in R&D: the Engineering and Business Development Division objectives are studying new products, refining production technics and providing assistance to licensees; the company can also supply technology for the construction of new plants, and is also able to furnish all the instruments and training personnel required.

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The bid opening will take place on 21 April 1996, at 12.00 noon, Cairo local time.

NOTICE OF AUCTION

Bankruptcy no. 54971 Srl "IMAC", Bankruptcy Court of Rome. At 12am on 28.3.96 the Official Receiver Dott. Maselli is to sell by auction, in a single lot with base price Lit. 29,064,000,000, leading Italian company, still in business, producer of polingless roofing panels and accessories (machinery, commercial activity etc.); provisional carrying on of business 30.6.96, with 29 employees plus 8 in C.I.G.S. (redundancy); CTU (technical) reports of 19.9.94, 6.12.95. Written offers (according to articles 4 and 5 of the sale procedure) with bank draft made out to Fall 54971 deposit and expenses 30% of base price by 1pm on the day prior to the hearing, minimum bid Lit. 200,000,000, the first of which obligatory; total of deposit and expenses to be paid 48 hours after adjudication, balance 60 days after adjudication, same payment methods. Information from receiver, +39/6/35403222, or the company, +39/6/66417145, Messrs. Bon, Urzia, Sarra. Official report from the Chancery. Company visits to be arranged 15 days prior to the auction.

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## INTERNATIONAL COMPANIES AND FINANCE

## AMERICAS NEWS DIGEST

## Teledyne to consider improved WHX bid

Teledyne, the US defence and industrial company, said it would consider a sweetened buy-out offer from WHX, the holding company for Wheeling Pittsburgh Steel. The steelmaker increased its bid from \$30 to \$32 per Teledyne share - \$2 of it in cash - on Monday. The total value of the offer has now been lifted from \$1.67bn to \$1.79bn.

WHX began pursuing Teledyne in late 1994, but Teledyne fought that \$22-a-share bid. WHX then launched a proxy battle and won a board seat for its chairman Mr Ronald LaBow, the Wall Street financier. The board put Teledyne up for sale to find other suitors, but took it off the block after receiving no attractive offers. WHX made its \$30-a-share bid earlier this month.

The Los Angeles conglomerate's main operating attraction to WHX is its speciality metals business, which supplies the aerospace and similar industries. The speciality metals business contributed about 65 per cent of Teledyne's 1995 operating profit of \$131.7m. Some analysts predict WHX would sell off Teledyne's defence electronics business and consumer products division.

## Rio Algom ahead 76% for year

Rio Algom, the Canadian mining group, lifted net profit for 1995 to C\$132.4m (US\$96m), or C\$1.55 a share, up 76 per cent from C\$75.2m, or C\$1.48, a year earlier. Revenues jumped to C\$2bn, a rise of 80 per cent. The group benefited from a full year's production from the Cerro Colorado copper mine in Chile; a nine-month contribution from its newly-acquired metals distribution unit, and an after-tax special gain of C\$12m on the sale of an Australian unit.

Fourth-quarter net profit was C\$34.2m, or 68 cents a share including the special gain, against C\$30m, or 59 cents, a year earlier. Together with its share of an Argentine group, Rio plans to become one of the world's leading copper producers, with output of 350m lbs by 1998, in addition to its expanding gold, zinc and uranium activities.

Phillips Petroleum, the US energy group, will report a net gain of about \$65m in the first quarter due to a favourable ruling in a tax case involving its Kenai, Alaska, liquefied natural gas plant. It said the ruling would boost 1996 net operating earnings by an estimated 20-25 cents a share, due to a lower effective tax rate and lower net interest charges on tax liabilities from previous years. Phillips said it would receive an estimated \$375m from the Internal Revenue Service in cash refunds over "the next few years", with the first \$300m expected in the next 60 days.

Amoco Power Resources of the US has bought 40 per cent of Energia del Sur, a company that will build, own and operate an electric power generating facility in Argentina. Energia del Sur will build and operate the Central Termica Patagonica generating plant in Comodoro Rivadavia, about 1,000 miles south of Buenos Aires.

Camuzzi Argentina, a unit of Camuzzi Gazometri di Italy, will own the remaining 60 per cent. Amoco Power is a unit of Chicago-based Amoco Corp.

## Bank of Montreal rises 30% in first term

By Bernard Simon in Toronto

Bank of Montreal opened Canadian banks' first-quarter earnings season with a 30 per cent advance in net income, due mainly to a higher contribution from foreign business.

The bank, Canada's third-biggest, came very close to meeting its target for foreign operations to contribute half of total earnings. US operations, which include wholly-owned Harris Bankcorp of Chicago, made up 36 per cent of first-quarter income.

Net earnings grew to C\$296m (US\$215m), or C\$1.04 a share, in the three months to January 31, from C\$228m, or 78 cents, a year earlier. Return on equity rose from 14.6 per cent to 17.7 per cent while return on assets climbed from 0.65 per cent to 0.78 per cent. Assets totalled C\$150bn on January 31.

The bank forecasts fiscal 1996 loan losses of C\$275m, unchanged from last year. One quarter of this amount, or C\$68m, was charged against first-quarter earnings. The 1995 first-quarter charge was C\$68m, because loan write-downs were at that time expected to be higher for the year than they turned out to be.

The non-performing loan portfolio shrank to C\$640m on January 31, from C\$1.17bn a year earlier. Income from non-Canadian sources rose 59 per cent to C\$148m. About C\$27m of the rise was due to the sale of non-performing Argentine bonds.

Harris has also performed strongly. Its earnings reached US\$42.2m in the final three months of 1995, up from US\$38.9m a year earlier.

BMO gained a New York listing in 1994, and earlier this month unveiled a deal to acquire 16 per cent of Mexico's Grupo Financiero Bancomer.

## AT&amp;T introduces Internet access service

By Louise Kotos in San Francisco

AT&T is aiming to persuade many of its 80m US long-distance telephone customers to sign up for a new Internet access service by offering it free for the first 12 months.

The entry of the world's largest telecommunications company into the Internet access market poses a significant threat to existing service providers, analysts said.

Shares in Netcom Online Communications were down 3% at \$34 following the AT&T announcement yesterday morning. UUnet dropped \$3 to \$24 and

America Online was down \$2 1/2 to \$51 1/2. PSNet lost \$ 1/2 to \$11 1/2.

The launch of AT&T WorldNet, as the service is called, marks the beginning of a new round of competition in the Internet access market, analysts said. Local telephone companies, including Pacific Bell, are planning to offer Internet services and Tele-Communications Inc, the leading cable TV service, plans to launch its Internet service next month.

The AT&T service will provide residential telephone customers with up to five hours of free Internet access a month for the first 12 months. All

AT&T telephone customers - both businesses and home users - can gain unlimited Internet access for a flat fee of \$19.95 a month. This contrasts with the "per hour" fees charged by most competing services.

"About 37 per cent of US families have home computers, but only about 10 per cent go online or on the Internet," said Mr Tom Evislin, AT&T vice-president for WorldNet.

"This is the Internet for everyone, with guided tours, navigation aids, and other ease of use features that will encourage new users to come on line," he said.

AT&T has set up more than 200 Internet access points throughout the US so that about 60 per cent of the population can reach the service via a local telephone call. The WorldNet service will eventually be expanded to provide international access, AT&T executives said.

To encourage electronic shopping on the Internet, AT&T will guarantee purchases made using an AT&T credit card. Cross-marketing of credit cards and telephone services with Internet access is expected to become a significant feature of Internet services in future.

## Condit takes the controls at Boeing

By Michael Skapinker, Aerospace Correspondent

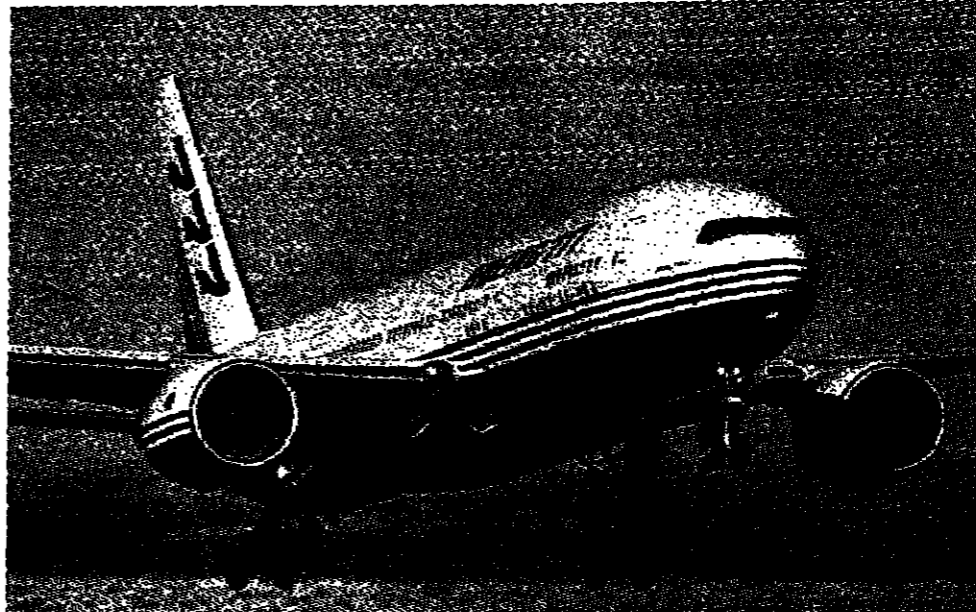
Mr Philip Condit is to take over as chief executive of Boeing in April. Mr Condit, who has never worked for any other company, takes over when the US aircraft maker's fortunes appear to be improving after a severe aircraft industry recession, thousands of redundancies and a 10-week strike.

He succeeds Mr Frank Shrontz, who will remain chairman of the board. Mr Condit, 54, who has been president of the group since 1992, was widely seen as Mr Shrontz's heir apparent.

The group won 346 orders last year, compared with only 120 in 1994. This is still far lower, however, than the 683 orders Boeing won in 1988.

The company's workforce fell from 119,000 at the end of 1994 to 105,000 at the end of last year. About a third of the workforce participated in last year's strike over employment conditions and the contracting out of Boeing manufacturing.

Mr Condit said in an interview yesterday, however, that Boeing was in a position to begin hiring again. He said the group would make 215 aircraft in 1996. This compares with 206 aircraft last year, which was lower than the 235 planned, because of the strike. The production rate would increase in 1997 too, Mr Condit said.



The Boeing 777: the US manufacturer's first aircraft to be completely computer designed

But the pressure on aircraft manufacturers to reduce costs would remain. "On the commercial airline side, I think deregulation and liberalisation will continue to spread. That's good for the consumer, but it puts the airlines under pressure and, as a supplier to the industry, that puts us under pressure," he said.

Mr Condit is only the seventh chief executive to head Boeing since it was founded in 1915. Mr Shrontz, who was

appointed chief executive in 1986, is a lawyer. Mr Condit is an engineer, who began his career in Boeing in 1965 on the Supersonic Transport programme, which never produced a rival to the Anglo-French Concorde.

Mr Condit brings to the chief executive's job a reputation for being prepared to talk directly to shop floor workers and the credibility of having headed the Boeing 777 programme before he became president.

The Boeing 777 was launched to fill a gap between the Boeing 767 and the 747 and to counter competition from the Airbus A330 and A350 and the McDonnell Douglas MD-11.

The aircraft has helped Boeing beat Airbus Industrie, the European consortium, and so win some important orders over the past year. Singapore Airlines ordered 77 of the aircraft and Malaysia Airlines said it would buy 15 Boeing 777s and 10 747s.

Boeing used the production of the 777 to throw off a host of old working practices, which had seen the group fall behind Airbus in computer design and aircraft technology. The 777 was the first Boeing aircraft to be completely computer designed and the first to use fly-by-wire technology.

Fly-by-wire, which means the wing and tail surfaces are controlled electronically rather than mechanically, was introduced by Airbus on its A320, which went into service eight years ago.

Boeing also used the 777 programme to work directly with its customers, asking airlines what they wanted.

Mr Condit says that whatever improvements the 777 brought to Boeing's design, manufacturing and focus on customers, "I would say we're only 25 per cent along the path to remaking the company".

One of Boeing's priorities, he says, is to improve the process under which aircraft seating and other facilities are arranged to meet the needs of different airlines. Work still needs to be done to enable the computer systems involved in this work to communicate with each other.

He is less excited about participating in the current round of US defence mergers. Boeing abandoned exploratory merger talks with McDonnell Douglas last month.

## GENCOR

## INTERIM PROFIT ANNOUNCEMENT

STRONG PERFORMANCE BY GROUP OPERATIONS

ATTRIBUTABLE INCOME UP 11 PERCENT

CASH EARNINGS PER SHARE UP 44 PERCENT

INTERIM DIVIDEND RAISED BY 17 PERCENT TO 7 CENTS PER SHARE

6 months ended 31 December 1995

12 months to 30.06.95 (Audited)	6 months to 31.12.95 (Reviewed)	6 months to 31.12.94 (Unaudited)	% Change
<b>Rand million</b>			
1 088	707	418	69.1
1 003	702	388	80.9
19 314	20 157	18 790	7.3
<b>Cents per share</b>			
72.8	48.5	28.2	72.0
73.8	40.5	28.5	42.1
65.6	42.7	29.6	44.3
20.0	7.0	6.0	16.7
1 392	1 392	1 366	1.9
<b>US\$ million</b>			
302	193	117	64.6
279	192	108	77.8
ISA income converted at the average R/US\$ ruling during the reporting period			
5 311	5 522	4 967	11.2
ISA income converted at R/US\$ ruling on the reporting date			
<b>Ordinary shares in issue (million)</b>			
1 378	1 448	1 376	
1 387	1 448	1 376	

## INTERIM DIVIDEND

An interim dividend No. 140 (coupon No. 149) of 7 cents (1995 - 6 cents) per ordinary share has been declared, payable on 29 March 1996 to shareholders registered on 15 March 1996. The share register will be closed from 18 March to 27 March 1996. The dividend is payable in the currency of the Republic of South Africa. Payment from the United Kingdom will be made in United Kingdom currency at a rate of exchange ruling on 21 March 1996, or on the first day thereafter on which a rate of exchange is available.

On behalf of the Board

B P Gilbertson

M L Davis

Johannesburg  
28 February 1996

## GENCOR LIMITED

Incorporated in the Republic of South Africa

6 Holland Street, Johannesburg 2001  
PO Box 61820, Marshalltown 2107

## SOUTH AUSTRALIAN ASSET MANAGEMENT CORPORATION

(FORMERLY STATE BANK OF SOUTH AUSTRALIA)

HAS CLOSED ITS LONDON OFFICE  
EFFECTIVE 29 FEBRUARY 1996AS FROM THIS DATE ALL CORRESPONDENCE AND  
ENQUIRIES SHOULD BE DIRECTED TO:Mr Lino Di Lemia  
Head of International  
South Australian Asset Management Corporation  
91 King William Street  
Adelaide SA 5000, AUSTRALIA  
Phone (6181) 222 8520 Facsimile (6181) 222 8822PT BANK NEGARA INDONESIA, HONG KONG BRANCH  
US \$ 151,500,000 - FLOATING RATE NOTES DUE 1997  
("THE NOTES")

Pursuant to Condition 5 (b) of the Terms and Conditions of the Notes, Notice is hereby given that, at the option of the holders, the Notes are redeemable at their principal amount on 18th April, 1996. To exercise the option, the holders should deposit their Notes with the Paying Agent between 18th February, 1996 and the 18th March, 1996, stating their intention to redeem such Notes pursuant to Condition 5 (b).

According to Condition 6, in case of redemption prior to maturity, Notes should be presented for payment together with unamortised Coupons appertaining thereto. Unamortised Coupons shall become void and no payment shall be due in respect thereof.

Fuji Bank (Luxembourg) S.A.

Fiscal, Paying and Listing Agent

Régie Nationale des Usines RENAULT  
FRF 500,000,000 Retractable Bonds 10 5/8% due 2001

Notice is hereby given that: according to the terms and conditions of the Bonds, paragraph 3 ("Interest") and to the notice published on 26 January 1996 relating to the basis of calculation, the rate of interest applicable to the bonds for the period 3 March 1996 to 3 March 2001 has been fixed at 6.06%.

According to the terms and conditions of the Bonds, paragraph 4 (b) "Redemption at the option of the Bondholders", a nominal amount of FRF 83,180,000 has been presented for redemption on the Interest Payment Date falling on March 3, 1996. Nominal amount outstanding after March 3, 1996: FRF 98,740,000.

The Principal Agent,  
SOCIÉTÉ GÉNÉRALE BANK & TRUST  
LUXEMBOURGBANCO CENTRAL  
DE LA REPUBLICA DOMINICANA  
PDI BOND DUE 2009

In accordance with the provisions of the Fiscal Agency Agreement, notice is hereby given that for the six month Interest Period from February 28, 1996 to August 30, 1996 the Bonds will carry an Interest Rate of 6.0625% p.a. and the Coupon Amount per U.S.\$1,000 nominal of the Bonds will be U.S.\$30.99.

February 28, 1996, London

By: Citibank, N.A. (Issuer Services), Agent Bank

CITIBANK

## BRISTOL WEST

PROGRAMME FOR THE ISSUANCE OF  
£100,000,000  
Floating Rate Notes  
Due 1999

For the Interest Period 23rd February, 1996 to 23rd May, 1996 the Notes will carry a Rate of Interest of 6.35438 per cent. per annum, with a Coupon Amount of £1,557.63 per £100,000 Note, payable on 23rd May, 1996.

Listed on the London Stock Exchange

Bankers Trust  
Company, London, Agent BankBANQUE NATIONALE  
DE PARISPROGRAMME FOR THE ISSUANCE OF  
Debt Instruments  
USD 10,000,000  
FRF/Fixed Rate Notes due 2005  
Series 31 Tranche 1

Notice is hereby given that the rate of interest for the period from February 29th, 1996 to August 30th, 1996 has been fixed at 5.8875 per cent. per annum. The coupon amount due for this period is USD 28,813.88 per denomination of USD 1,000,000 and is payable on the interest payment date August 30th, 1996.

The Fiscal Agent  
Banque Nationale de Paris  
(Luxembourg) S.A.

BNP

## THE KOREA-EUROPE FUND LIMITED

## INTERIM RESULTS

The Directors of The Korea-Europe Fund Limited announce the unaudited interim results for the six months ended 31 December 1995.

REVENUE	Six Months Ended 31 December 1995 US\$ '000	Six Months Ended 31 December 1994 US\$ '000
Investment Income:		
Dividends	37	91
Bond Interest	286	401
Deposit Interest	423	492
Total Revenues	746	584
Expenses and Interest	1,721	1,703
Deficit before taxation	(1,361)	(1,165)
Taxation on the revenue	68	46
Deficit after taxation	(1,329)	(1,211)
Deficit per share	(3.78) cents	(3.45) cents

The majority of dividend payments by Korean companies are made in the first six months of the calendar year; as a result, the greater part of the Company's revenue will be received in the final six months of the current accounting period and there is a deficit of revenue after taxation for the period covered by this statement. The Directors anticipate, however, that there will be a surplus of revenue available for distribution for the year ending 30 June 1996.

ASSETS At 31 December 1995 US\$ '000 At 30 June 1995 US\$ '000

Assets applicable to ordinary capital	299,748	233,078
Net asset value per share	58.53	58.34

Over the six months to 31 December 1995 the net asset value of the Korea-Europe Fund rose by 2.3%, in the same period the Korea Stock Exchange composite index gave a negative return in US dollar terms of 3.3%. The Company's outperformance can be attributed to its holding in large companies and increased exposure to domestic orientated sectors which performed well relative to the index.

The Korean economy is expected to grow between 7 and 7.5% this year as investment spending slows considerably from last year's abnormal levels and the weaker Japanese Yen tempers Korean exporters' competitiveness. In the absence of serious labour disruption inflationary pressures will be eased, thus allowing a continued relaxation in monetary policy and lower interest rates. Together with an improving trade deficit this will provide better liquidity conditions for the stock market.

The Interim Report will be mailed to registered shareholders at their registered addresses on 15 March 1996. Copies of the Interim Report will be made available from 15 March 1996 at the offices of Searle's Investment Management Limited, 85 Queen Victoria Street, London EC4V 4EJ.

Enquiries: Schroder Investment Management Limited

John P. Bainbridge (0171) 382 6742

J P Morgan

## NOTICE OF PREPAYMENT



## EUROPEAN INVESTMENT BANK

ESP 20,000,000,000 - 12.25% Bonds due 19th April 2001

Notice is hereby given to the Bondholders that pursuant to clause «OPTIONAL REDEMPTION», the issuer has elected to redeem and prepay all outstanding Bonds, on 19th April 1996 at a redemption price of 101.35% of the principal amount thereof, together with accrued interest thereto.

Interest will cease to accrue on the Bonds as of 19th April 1996.

Payment of interest and early redemption due 19th April 1996, will be made as usual in accordance with the Terms and Conditions of the Bonds.

Madrid, 23rd February, 1996. «BANCO ESPAÑOL DE CREDITO, S.A.» as Agent of Payments of the Issue.

## THE TOP OPPORTUNITIES SECTION

For senior management positions.  
For information please contact:

Robert Hunt

+44 0171 873 4095

مكتبة الأصيل



مذكرة

This announcement appears as a matter of record only.

February 1996

DM 1,000,000,000

Limited Partnership Interests

CWB Capital Partners II  
Private Equity Fund

A fund managed by

CWB Capital Partners

The private placement of limited partnership interests in this fund has been arranged on a global basis with institutional and individual investors.

Salomon Brothers Inc  
Global Advisor and Lead Placement Agent

SBC Warburg  
A DIVISION OF SWISS BANK CORPORATION  
Co-Placement Agent

... MAY FEBRUARY 28  
... service  
... Boeing  
... LIMITED  
... J.P. Morgan  
... UNITIES SECTION  
... contact



## INTERNATIONAL COMPANIES AND FINANCE

## NEWS DIGEST

## Hyundai Motor fails to impress

Hyundai Motor, South Korea's largest car company, reported a 14.5 per cent increase in net profits for 1995, to Won156.7bn (\$200.8m). The market had been expecting higher profits, however, on sales that were up 13 per cent to Won1,300bn.

Analysts believed Hyundai fell short of predicted earnings of at least Won200bn because of costs associated with its recent decision to liquidate its mothballed car plant in Quebec, Canada. Hyundai closed the factory in 1992 because of falling demand in the North American market. In addition, the introduction of generous consumer financing schemes in December to boost sales in the stagnant domestic market also reduced profits.

However, Hyundai has the highest earnings among Korea's five carmakers, since it controls 45 per cent of the domestic market and dominates the medium and luxury class car segments, which have better profit margins than small cars.

Kia, the second largest Korean carmaker, reported a turnaround to net profits of Won11.6bn, after a loss of Won9.5bn for 1994. Sales rose 20 per cent to Won5,688bn. Kia, which has 25 per cent of the domestic market, said the earnings improvement was mainly attributed to a sharp decline in depreciation costs. Heavy investments in production expansion and development of new models, which caused the 1994 loss, also eased last year.

John Burton, Seoul

## Demand buoyant at KMT

Korea Mobile Telecom, South Korea's leading cellular telephone operator, reported a stronger than expected 42 per cent advance in net earnings, to Won150.6bn for 1995. Sales increased 63 per cent to Won1,323bn.

KMT, which is one of the most popular Korean stocks among foreign investors, said the earnings rise reflected continued strong demand for cellular services, with 70 per cent growth in subscribers to 1.8m last year. The KMT share price yesterday closed unchanged at Won40,000.

Analysts warn that KMT profits may fall slightly this year as a new rival, Shinsegi, breaks KMT's monopoly on cellular services. However, the market is considered able to support two competitors since the penetration rate for cellular telephones in Korea is still low. Falling handset prices and a cut in subscriber deposit fees are likely to boost demand this year.

KMT will increase investments by 35 per cent to Won1,100bn this year as it introduces a digital cellular network to complement its analogue system, which is suffering a deterioration in call quality as it becomes overcrowded with subscribers. Borrowing costs for KMT are also expected to increase as it refunds an estimated Won500bn in deposit fees, which have been an important financing source for its operations. The deposit refund was recently ordered by the government.

John Burton

## Manila Electric ahead 31%

Manila Electric (Meralco), the electricity supplier privatised two years ago, boosted profits 31 per cent to 4.4bn pesos (US\$163.2m) in 1995. It attributed the growth to productivity gains and favourable rate adjustments.

The company, which is planning to get involved in power generation within the next two years, said a string of natural disasters last year had not caused as much damage as was feared. The number of customers served in 1995 rose 185,000 to 3.66m. No revenue figures were given.

Analysts say that as much as 15 per cent of Meralco's electricity is lost through pilferage and waste. Every 1 per cent reduction in loss translates into an extra 13m pesos profit, according to calculations. The company, which has launched a drive to eliminate wastage, plans to give incentives to industrial users to conserve power.

Edward Luce, Manila

## Chemicals help lift Sasol

Sasol, the South African liquid fuels producer which manufactures synthetic fuel from coal, has posted a 14 per cent increase in turnover to R6.76bn (\$1.8bn) for the six months to December 25 1995. Earnings attributable to permanent capital holders rose 90 per cent to R1.1bn, while earnings attributable to shareholders increased 31 per cent to R1.2bn. Earnings per share climbed from R154 to R196, and the interim dividend rises from 46.5 cents a year ago to 53 cents.

Higher chemical prices lifted the contribution from Sasol Chemical Industries from R373m to R489m.

Analysts said the phasing-out by 2000 of Sasol's R1.1bn annual protective subsidy for synthetic fuel production, announced in December, would combine with lower chemical prices to depress second-half earnings. But they were optimistic about the group's longer-term prospects, as Sasol reduced its exposure to the volatile synthetic fuels market by repositioning itself in the growing chemicals sector.

Mark Ashurst, Johannesburg

## Weak markets behind fall at Matsushita

By William Dawkins in Tokyo

Matsushita Electric Industrial, the world's largest consumer electronics company, yesterday said the weak Japanese market and a slowdown in the US and Europe, plus the sale of its US movie business, contributed to a decline in third-quarter profits and sales.

The group unveiled a 23 per cent fall in taxable profits to ¥70.1bn (\$672m) for the three months to December, on sales down 2 per cent to ¥1,829.7bn, compared with the same period last year.

The results were in line with market expectations. Market competition was intense and margins were hit

by a general shift in consumer taste towards lower-priced electronic goods, the group said. Asian markets alone showed firm growth.

Matsushita's results were distorted by the absence of MCA, the US film studio which it sold last April, giving rise - as already reported - to a ¥164.2bn foreign exchange loss, charged against the first quarter.

Adjusting for MCA's absence, underlying sales in the third quarter rose 6 per cent and pre-tax profit fell 12 per cent, just over half the rate reported.

Unadjusted group sales in the nine months to December fell 3 per cent to ¥5,051bn, with

a pre-tax loss of ¥10.9bn against a taxable profit of ¥175.5bn in the same period last year.

Adjusted for MCA and the foreign exchange loss, sales rose 3 per cent in the nine months and pre-tax profits fell 8 per cent, the group said.

Sales of communications and industrial equipment, representing about 30 per cent of turnover, showed 14 per cent growth in the third quarter, helped by a lift in Japan's mobile telephone market, recently opened to freer competition.

Displays for personal computers and CD-Rom drives sold well, the group said. Like other Japanese electrol-

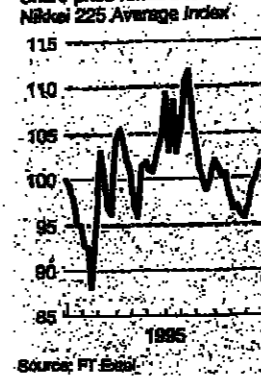
ics companies, Matsushita said the fastest growth was in its components business, just under a fifth of total turnover, where sales rose 14 per cent in the three months to December, led by strong world demand for semiconductors.

By contrast, its traditional consumer electronics products showed sluggish growth. Sales of video equipment, about 14 per cent of turnover, rose 2 per cent in the third quarter, helped by increased sales of televisions overseas - especially in Asia - and steady growth in sales of wide-screen and high-definition televisions in Japan.

Home appliances, with 15 per cent of sales and Matsushita's

## Matsushita Electric

Share price relative to the Nikkei 225 Average Index



Source: FT East

most mature business sector, saw a 1 per cent decline in turnover.

## HK banks stand tough test of competition

Their growth has slowed, but the colony's institutions are adapting well to change, writes John Ridding

The heady days of the early 1990s may have passed for Hong Kong's banks. "The cycle has peaked and has started its journey down," concluded Moody's Investors Service, the US ratings agency, in a study last year.

But while annual results now being reported show a slowing in earnings growth from average rates of about 30 per cent in 1992 and 1993, some business sectors and many counterparts abroad would welcome the decline. The banks' sturdy base will, however, be needed to confront structural challenges in the industry and increased competition. Smaller banks, in particular, will be tested.

The big three banks have all reported steady rises in net profits and strong growth at the operating level. Hongkong Bank, the Asia-Pacific arm of HSBC Holdings, this week announced 1995 net profits of HK\$16.6bn (US\$2.1bn), up 16 per cent, and a 23 per cent rise in operating profits before provisions.

A similar pattern was seen at Hang Seng Bank, a subsidiary of the Hongkong Bank group, and at the Bank of East Asia. The other main banks are due to report over the next few weeks, and ING Barings expects the results to show an average increase in net profits of about 16 per cent.

Such increases have been achieved despite a depressed retail environment, a sharp fall in property prices and deregulation in the sector. "1995 was not an easy year," said Mr David Li, chairman of Bank of East Asia. "Interest costs increased with the phased deregulation of deposits, whilst the sluggish property market and the general economic slowdown also brought about a slower loan growth."

The banks' resilience can be attributed to several factors. Conservative collateral policies helped prevent accidents in the property sector, while the impact of interest rate dereg-

ulation was offset by limits on liberalisation. Falling US interest rates enabled a spread of about 3 per cent between prime lending rates and deposit rates, comfortably above the five-year average.

Specific sectors saw spurts of activity. In the first half of the year demand for trade finance was strong, reflecting the expansion of economic activity in southern China. Demand for mortgages and property loans, which represent about 40 per cent of total loans, started to rebound towards the end of the year.

As for balance sheets, the disclosure of inner reserves - accumulated profits which have been used to smooth fluctuations in earnings - has served to confirm the strength of the banks' capital bases. "All of the main banks have prudent levels of capital adequacy," says Ms Carmel Welles, banking analyst at ING Barings, citing capital adequacy ratios in a range of 12 per cent to 25 per cent, compared with the BIS requirement of 8 per cent.

Most analysts forecast steady profit growth this year. But the banks expect the going in Hong Kong to get tougher. The fight for mortgages has intensified, reducing spreads, while the outlook for lower interest rates remains uncertain. There are broader structural challenges, ranging from the maturity of the Hong Kong market and increased competition at home, to a diversification of capital-raising by business and uncertainties relating to the transition to Chinese sovereignty in 1997.

"Hong Kong is now a very mature market, and it has become increasingly competitive," says Mr John Gray, chairman of Hongkong Bank. "Both price and non-price competition will intensify," says Sir Lee Quo-wei, his counterpart at Hang Seng Bank. Part of the reason is the growing fight for deposits and the entry of new players into the market. The Bank of China

## A LOOK AT THE BOOKS

HK\$ (bn)	Hongkong Bank		Bank of East Asia		Hang Seng Bank	
	1995	1994	1995	1994	1995	1994
Operating profit before provision/exceptions	22,803	18,579	1,788	1,421	8,026	6,325
Operating profit	22,063	18,405	1,661	998	7,895	6,284
Pre-tax profit	22,489	25,303	1,915	1,844	8,025	8,483
Net profit	18,627	18,507	1,649	1,549	7,984	7,415

† Includes profit on sale of Malaysian banking business to fellow group member

Source: Company reports

## CAPITAL ADEQUACY RATIOS

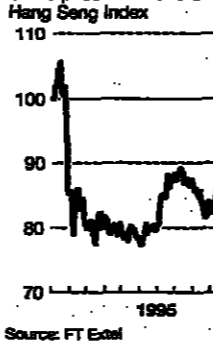
	Equity/total assets (%)	Adj. equity/total assets (%)	BIS capital adequacy (%)	Tier 1 ratio (%)
Aeon	21	21	n/a	n/a
Bank East Asia	10	15	16	n/a
Dah Sing Fin.	9	10	14	n/a
Dao Hang	8	9	27	n/a
Hang Seng	12	12	15	16
HSBC	5	5	15	9
IEA	5	10	14	n/a
JCG	52	52	62	n/a
Li Chong Hing	20	22	28	n/a
Manhattan Card	38	38	n/a	n/a
Wing Hang	9	11	16	n/a
Wing Lung	6	15	15	n/a

\* equity included estimates of loan reserves and property revaluation surplus

Source: ING Barings

## Bank of East Asia

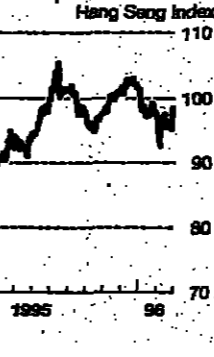
Share price relative to the Hang Seng Index



Source: FT East

## Hang Seng Bank

Share price relative to the Hang Seng Index



Source: FT East

and its 13 sister banks have been stepping up their efforts to win business. "They have improved their operations immeasurably," says Mr Gray. "They are a real competitive force."

Competition is not the only challenge. "Major property companies and conglomerates have been raising funds in the international capital markets," says the Moody's report, referring to a trend of disintermediation. More broadly, there is uncertainty generated by the transfer to Chinese sovereignty next year. "The banks are not rattled by the looming transfer. "Of

course there will be some changes in Hong Kong, but they won't be as big as the changes I have seen here in my lifetime," says Mr Gray. "I think China's vested interest in letting things continue to tick along is clear," says a counterpart at another bank.

But strategic business considerations have, in any case, prompted geographical diversification. The higher growth rates of regional economies have pushed Hongkong Bank, for example, to increase its branch networks in south-east Asia - from Thailand to the Philippines - and in China. Last year it opened a branch in Beijing and recently announced plans for a repre-

sentative office in Chengdu. The Bank of East Asia and other Hong Kong banks have also pushed into the mainland. "They are all knocking on the door in China and elsewhere in the region," says one banking analyst. "The expansion is limited only by the pace of financial deregulation in these countries."

At home, the emphasis has been on cutting costs and diversifying income sources to reduce reliance on interest income. But for some of the smaller players, that may not be enough. "Increased competition will put a premium on big branch networks," says one banking executive. "And that points to consolidation."

Some consolidation has already occurred. Last year, for instance, Bank of East Asia bought United Chinese Bank for HK\$1.3bn. JCG Holdings has taken control of Winton, a tax-financing concern.

More seems likely to follow, although family ownership of many smaller banks limits the prospects for hostile bids. "It will be a gradual process, rather than a rush to merge. But if you look at the industry trends in Hong Kong and the attractions of expansion overseas then size is going to count," says one industry executive. "The smaller you are, the tougher life will be."

## Fairfax warns of profits downturn

By Nikki Tait in Sydney

John Fairfax, the leading Australian newspaper publisher in which three media proprietors hold stakes, yesterday warned that full-year profits for 1995-96 would be down by up to 20 per cent on the previous year's figure.

It blamed higher newspaper costs and a larger depreciation charge in the wake of a number of capital projects. It also said it expected "current levels of subdued economic activity and business confidence to continue" in the immediate future.

In 1994-95, the group made an

operating profit after tax of A\$147.3m (US\$111.5m), after taking a A\$10.8m abnormal charge.

Fairfax's warning came as the group announced a first-half profit of A\$82.4m after tax, down 23.2 per cent on the first half of 1994-95. Revenues were 7.3 per cent higher at A\$515m, but operating costs jumped sharply from A\$328.3m to A\$381.8m, a rise of 16.3 per cent.

Coupled with the higher depreciation charge, earnings before interest and tax were down 17.8 per cent at A\$114.6m. Interest charges were slightly higher, at

A\$19.7m, although the tax charge fell from A\$40m to A\$31.6m. There were no significant abnormal items in either half.

The group said that advertising volumes had been flat, or slightly weaker, for most publications. The combined classified volumes for The Sydney Morning Herald, and The Age in Melbourne, dipped by 2 per cent, for example, largely because of the subdued housing market. The rise in operating costs, meanwhile, reflected the higher newspaper prices.

Fairfax's figures came after the market closed, but the shares had already eased 3

cents to A\$2.94. The company is a frequent subject of bid speculation, with Mr Conrad Black, the Canadian publisher, owning about 25 per cent of its shares, and Mr Kerry Packer, the Australian businessman, having more than 17 per cent.

Mr Rupert Murdoch, head of the News Corporation media group, has a much smaller interest.

Neither Mr Black nor Mr Packer are able to raise their stakes further, because of Australia's media ownership rules (which cap both foreign investment and the degree to which one individual can control different types of media). How-

## Stronger prices drive surge at Gencor

By Mark Ashurst in Johannesburg

Gencor, the South African mining finance house, yesterday reported an 81 per cent rise in attributable income from R388m to R702m (\$183.1m) for the six months to December 31, as strong aluminium and chrome prices boosted income. Earnings per share rose 72 per cent from 28.2 cents to 48.5 cents before exceptional items.

An interim dividend of 7 cents, up 1 cent, was declared. Billiton International, the offshore aluminium operation acquired in 1994, increased its contribution to group income from R52m to R164m. Billiton almost doubled its total earnings for the period from R142m to R274m, or 39 per cent of Gencor's total income.

Net financing charges for the debt-laden aluminium producer fell from R25m for the six months to December 1994 to R12m. This was largely because of the repayment of third-party debt and more favourable interest charges secured by refinancing.

Gencor's established aluminium operation, Alusaf, tripled its contribution to R32m. Its new Hillside smelter is due to reach full production in June, four months ahead of schedule. Analysts say this will help it withstand lower aluminium prices in the second half.

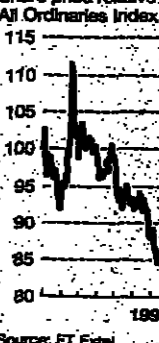
Lower production and a 21 per cent rise in costs at Gencor, the gold subsidiary, offset a marginal increase in the average gold price for the period, and income dropped 28 per cent to R56m. Gencor is to underwrite a R600m rights issue by Gencor to fund capital investment at the Oryx gold mine, which is forecast to break even in mid-1998. The three Evander gold mines are to be merged with Bracken, securing 19,800 hectares of additional mineral rights.

Samanor, the chrome, manganese and stainless steel producer, increased its contribution 178 per cent to R222m, reflecting improved sales volumes and higher ferrous prices. The increase includes smaller plants, that may not be enough. "Increased competition will put a premium on big branch networks," says one banking executive. "And that points to consolidation."

Some consolidation has already occurred. Last year, for instance, Bank of East Asia bought United Chinese Bank for HK\$1.3bn. JCG Holdings has taken control of Winton, a tax-financing concern. More seems likely to follow, although family ownership of many smaller banks limits the prospects for hostile bids. "It will be a gradual process, rather than a rush to merge. But if you look at the industry trends in Hong Kong and the attractions of expansion overseas then size is going to count," says one industry executive. "The smaller you are, the tougher life will be."

## John Fairfax

Share price relative to the All Ordinaries Index



Source: FT East

ever, if the country elects a Liberal-National coalition government in Saturday's poll, many analysts expect these restrictions to be relaxed.

## BANK OF CREDIT AND COMMERCE INTERNATIONAL SA (IN LIQUIDATION)

## IMPORTANT NOTICE

The English Liquidators of BCCI SA are to apply to the High Court in London for directions in relation to the release of funds under their control pursuant to the pooling arrangements that have been entered into.

The High Court in London will hear that application at a hearing on 25 March 1996.

In particular, the Court will be asked to give directions as to the level of provisions/retentions that ought to be made by the English Liquidators before any funds under their control are released from such control with a view to the payment of a first dividend.

Any person who considers that his interests may be affected by the release of funds under the control of the English Liquidators, may appear and be represented at the hearing.

ANY PERSON WHO INTENDS TO APPEAR AT THE HEARING, OR WHO CONSIDERS THAT HIS INTERESTS MAY BE SO AFFECTED, SHOULD CONTACT THE ENGLISH LIQUIDATORS FOR FURTHER INFORMATION AT

BCCI SA - ENGLAND  
MARCHE HEARING  
CITADEL HOUSE  
5/11 FETTER LANE  
LONDON EC4A 1BR

## Submission of Claims

If any creditor would like to submit a claim against BCCI SA in England but has not yet done so, please write to the English Liquidators at the address set out above.

## Howard Smith edges ahead and cautions on slower growth

By Bethan Hutton in Sydney

Half-year net profits at Howard Smith, the Australian hardware, towage and engineering group, crept up 1.9 per cent to A\$39.1m (US\$29.6m), after 43 per cent growth in the previous full financial year. Sales for the six months to December fell 1.2 per cent to A\$1,070m.

The company's first half is traditionally stronger than the second; Dr Ken Moss, managing director, said it would be difficult to improve on the 1995 full-year result.

The lower net profit figure was partly blamed on a tax increase from 33 per cent to 36 per cent during the period, and an abnormal cost of A\$2.2m before tax, related to redundancy payments in the UK. Further redundancies in the

UK are likely this year as rationalisation continues of the Alexandra towage and salvage business, acquired in 1993. Towage profits improved 13 per cent in the UK and 10 per cent in Australia.

A downturn in residential building activity in Australia also affected the group's BBC hardware chain, which mainly supplies professional builders. However, retail sales have risen, and the group is expanding its Hardwarehouse chain of retail superstores: 12 new outlets are due to open this year.

Late last year the group announced plans to wind down its shipping business, and some of the A\$60m to A\$80m cash expected from that divestment should start to flow in during the second half. The interim dividend is

unchanged at 15 cents. Arnotts, the Australian biscuit maker, cut its dividend and warned that full-year results would be below expectations, while announcing a 14.1 per cent drop in interim operating profits. The group warned in January that it would be unable to meet its forecast of 10 per cent growth this financial year.

The operating profit for the half year to December was A\$59.7m, compared with A\$69.5m. Net profit after tax and before abnormal items fell 18.8 per cent to A\$38.7m from A47.6m. Net profit after tax and abnormal items was 6.7 per cent higher, as there were no abnormal items this year, against a A\$17m abnormal loss last time. Sales revenue grew 6.4 per cent to A\$37.4m.

## LG Electronics posts 24% decline

By John Burton in Seoul

LG Electronics, South Korea's second-largest consumer electronics company, reported a 24 per cent fall in net profits to Won79.2bn (\$101m) for 1995, although sales were ahead 28 per cent to Won6,590bn.

The drop in earnings was sharper than expected, reflecting sluggish consumer buying in the fourth quarter of 1995 caused by uncertainty following recent political scandals. Profits were also affected by a price-cutting war among domestic consumer electronics makers.

In addition, investments in the development of multimedia businesses and the construction of manufacturing plants for liquid crystal displays depressed profits.

LG Information & Communications, which manufactures telecoms equipment, reported an 89 per cent increase in net profits to Won22.1bn on sales, ahead 52 per cent to Won512.7bn. Profit growth reflected strong demand for equipment as the Korean telecom market is deregulated.

LG Chemical produced results below expectations with net earnings unchanged at Won51.2bn. Sales increased 19 per cent to Won3,320bn.

LG Construction reported a strong recovery, with net earnings almost doubled to Won19.6bn on sales up 45 per cent to Won1,480bn. This reflected increased orders from other LG companies and the sale of a Seoul office building to LG Semicon, the group's semiconductor manufacturer.

مكتبة الشاهين



COMPANY NEWS: UK

# GA increases motor insurance rates by 4%

By Ralph Atkins, Insurance Correspondent

General Accident yesterday became the first large insurer to attempt to reverse fierce price cutting in UK private motor insurance. It announced rises averaging 4 per cent from April.

GA announced the increases alongside pre-tax 1995 operating profits of £436m (£671m), which were higher than expected and compared with a restated £434m last time.

Highlighting GA's attempts to ameliorate deteriorating UK trading conditions, Mr Bob Scott, chief executive, also set the group's sights on making a significant acquisition in continental Europe. He identified the large French and German markets as possible targets.

Meanwhile it emerged that GA is considering a sharp reduction in its loss-making London insurance market operations which have also been affected by fierce price cutting. The group has cut the marine business it underwrites from £100m in premium income to about £80m but may decide to concentrate solely on cargo insurance and parts of reinsurance.

GA's attempts to reverse recent steep rate reductions in



Bob Scott: French and German markets were possible targets

UK private motor market were helped last night when Direct Line, the UK's largest private motor insurer, said it would also be looking at "selective" rises.

GA's move follows more than a year of fierce price cutting across the sector.

Results yesterday showed a fall in GA's UK underwriting profits last year from £200m to

£92m. Burst water pipes in severe weather at the end of 1995 cost £30m but the personal motor account also produced an underwriting loss of £1m against a £18m profit last time.

On European acquisitions, Mr Scott said purchases would have to fit with existing GA strengths in household, small commercial, personal accident or life markets.

# Kvaerner to eschew battle for Trafalgar

Andrew Taylor on the background to its friendly bid approach to the conglomerate

The Keswick family's 26 per cent investment in Trafalgar House, owner and developer of some of the world's best known buildings and ships, has been little short of disastrous.

The British engineering, construction and shipping conglomerate made a pre-tax loss of £300.8m in the year to September, taking total losses over five years to more than £700m. Shareholders have stumped up more than £200m over the same period through three rights issues.

The group's share price was already languishing at 73½p when Hongkong Land, part of the Keswick family's Jardine Matheson empire, started to buy its stake in 1992. The shares had fallen to 39p before yesterday's announcement that Kvaerner was considering making a bid for all or part of Trafalgar.

The Norwegian engineering and ship-building group has not wasted much time in switching its sights to Trafalgar from Amec, a rival UK engineering and construction group. Kvaerner's hostile £360m bid for Amec was heavily defeated in December.

The desire of Mr Erik Tønseth, Kvaerner's chief executive, to develop a global offshore engineering and construction group by purchas-

ing a large UK concern has not waned in spite of this disappointment.

An outright bid for Trafalgar, however, would cost at least £210m at last night's closing prices: the ordinary shares were up 8½p at 47½p and the convertible preference stock up 9½p at 71½p.

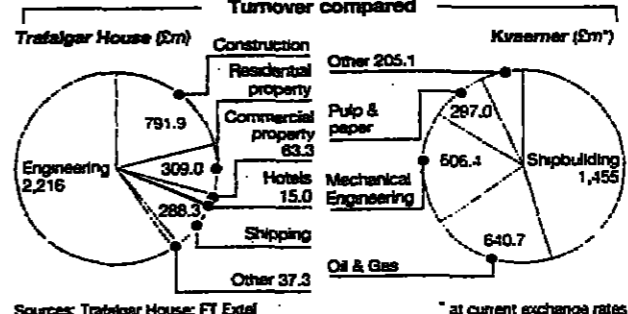
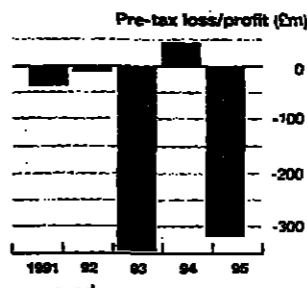
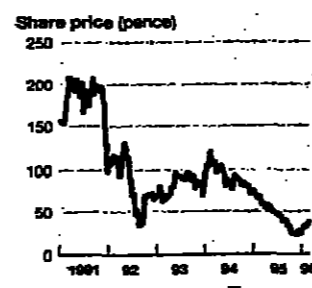
But Kvaerner may not want all of Trafalgar's businesses. The attractions for the Norwegian group are thought to include Trafalgar's North Sea offshore engineering division, its John Brown and Davy businesses specialising in the design and construction of chemical and metal processing plant, and the group's general building and civil engineering operations.

Kvaerner already has a big offshore fabrication business mainly serving the Norwegian sector of the North Sea. It failed to break into the UK sector where Trafalgar, like Amec, has a large market share.

A takeover would create the world's largest offshore oil and gas fabrication business, bigger than either of the present market leaders, Brown & Root and McDermott of the US.

Trafalgar, in spite of heavy engineering and construction losses, has continued to win prestigious contracts in the rapidly growing economies of south-east Asia.

## Trafalgar House



Sources: Trafalgar House; FT Estat

\* at current exchange rates

The one division Kvaerner seems unlikely to want is Trafalgar's Cunard cruise business. It lost £16.1m last year after a public relations disaster over the ill-executed refit of its QEII flagship, which prompted senior management changes.

Mr Simon Keswick and Mr Nigel Rich, Trafalgar's chairman and chief executive, have

blamed poor management in the late 1980s and early 1990s for the group's continued struggles.

Some of the biggest problems arose after the purchase of Davy Corporation for £114m in 1991. Davy, which had been courted for more than a decade by Trafalgar, brought with it a series of problem contracts,

including the Emerald oil production platform for Midland & Scottish Resources. These loss-making contracts have been a serious drain on Trafalgar profits over the past five years.

The group's purchase of Sofresid, the French engineering and construction group, also brought problems. Trafalgar's engineering division, including Davy and Sofresid, made a loss of £110.2m last year and reported provisions of £56.7m to cover restructuring costs.

The group believes, however, it reached a turning point last autumn, when net debt had risen to £229m, representing almost two-thirds of shareholders' funds of £355m.

Since then, the group has raised about £250m from the sale of the Ritz hotel in London and the group's UK house building division, Ideal Homes.

Most of the trophy assets purchased before the Keswick family came aboard have now gone. The shipping business was thought to be next in line for sale, before Kvaerner's approach.

This may still be the most likely outcome, with analysts doubtful last night whether the Norwegian group would be able to afford to mount a successful bid. Trafalgar shareholders, however, may be short on patience given the group's track record.

# Ionica raises £50m in equity finance

By Alan Cane

Ionica, a Cambridge-based start-up company, has raised a further £50m in equity finance to fund its bid to wrest a 20 per cent share of the local telephone market from British Telecommunications, the UK's dominant operator.

Next month, it is set to launch an innovative, radio-based telephone service for the home and office, which will compete directly with BT and regional cable television operators.

Ionica has developed an innovative radio technology in conjunction with Northern Telecom of Canada, which

allows it to connect customers at very low cost compared with cable or copper wire.

It will be the first time BT's monopoly of the so-called "local loop" - the connection between the local exchange and the home or office - has been challenged nationally by a single operator.

The total raised in equity since the group was awarded an operator's licence in 1991 is more than £150m, a remarkable figure for a start-up, high-technology company which has yet to sign a customer.

The new shareholders are led by CWB Capital Partners, a leading European private equity investor.

Prices for electricity delivered to the purchaser of the electricity pool and the purchaser of the electricity pool in England and Wales.

Hour	Price	Price	Price
1st hour	2nd hour	3rd hour	4th hour
0700	12.50	12.50	12.50
0800	12.50	12.50	12.50
0900	12.50	12.50	12.50
1000	12.50	12.50	12.50
1100	12.50	12.50	12.50
1200	12.50	12.50	12.50
1300	12.50	12.50	12.50
1400	12.50	12.50	12.50
1500	12.50	12.50	12.50
1600	12.50	12.50	12.50
1700	12.50	12.50	12.50
1800	12.50	12.50	12.50
1900	12.50	12.50	12.50
2000	12.50	12.50	12.50
2100	12.50	12.50	12.50
2200	12.50	12.50	12.50
2300	12.50	12.50	12.50
2400	12.50	12.50	12.50

### Rectification

## ABN-AMRO

ABN AMRO BANK N.V.

US Dollars 150,000,000 Subordinated Floating Rate Notes 1992 due 2002

In accordance with the terms and conditions of the Notes, notice is hereby given that for the interest period from February 26, 1996 to August 26, 1996 the Rate of Interest has been fixed at 5.25 per cent, and that the interest payable on the relevant interest payment date, August 26, 1996 against Coupon No. 8 in respect of US\$ 5,000 nominal of the Notes will be US\$ 132.71 and in respect of US\$ 100,000 nominal of the Notes will be US\$ 2,654.17.

ABN AMRO BANK N.V.

### THE ROYAL BANK OF CANADA

U.S. \$350,000,000 Floating Rate Debentures due 2006

In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 26th February, 1996 to 26th March, 1996 has been fixed at 5 1/8% per annum. On 26th March, 1996 interest of US\$ 64,229,861 per US\$ 10,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 26th March, 1996 will be determined on 27th March, 1996.

Agent Bank and Principal Paying Agent: ROYAL BANK OF CANADA EUROPE LIMITED

# General Accident

## RECORD PROFIT MAINTAINED

### 1995 RESULTS

	Year to 31.12.95 Unaudited £m	Year to 31.12.94 Audited £m
General Premiums	4,409	4,253
Net Investment Income	523	467
Underwriting Result	(130)	(71)
Life Profits	71	59*
Operating Profit before Taxation	436	434*
Profit Attributable to Ordinary Shareholders	382	362*
Operating Earnings per Ordinary Share	66.5p	68.1p

\*Restated

- Operating pre-tax profit of £436m is despite a near doubling of severe weather losses to over £100m.
- UK underwriting profit of £92m is the second best ever achieved.
- Improving trend continues in the United States.
- Reduced underwriting deficit in Canada.
- Excellent new business production from UK life.
- Final dividend of 20.3p per share making a total of 31.0p per share for the year - an increase of 6.9%.
- Net asset value up 51% to £3,380m, equivalent to 653p per share. Solvency margin 77%.

Bob Scott, Group Chief Executive, comments: "We have maintained a record operating performance in 1995 and remain confident regarding prospects for 1996".

## General Accident plc

General Accident plc, World Headquarters: Pitheavlis, Perth, Scotland PH2 0NH  
A copy of the full results are available on Internet: <http://www.communicata.co.uk/ga>

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Stronger prices drive surge at Gencor  
By Mark Ashurst & Johannesburg

South Africa's Gencor has reported an 81 per cent increase in its share price over the last 12 months to 200p. The rise follows a 50 per cent increase in its profit over the same period. Gencor's share price has risen from 120p in February 1994 to 200p in February 1996. The company's profit has risen from £100m in 1994 to £150m in 1995. Gencor is a coal and gold mining company. It has a 50 per cent stake in the Anglo-American coal and gold mining group. The company's share price has risen from 120p in February 1994 to 200p in February 1996. The company's profit has risen from £100m in 1994 to £150m in 1995. Gencor is a coal and gold mining company. It has a 50 per cent stake in the Anglo-American coal and gold mining group.

Ionics decline



COMPANY NEWS: UK

# Barclays rises 12% and makes buy-back

By George Graham, Banking Correspondent

Barclays yesterday spent £306m (£470m) to buy 40m of its shares as it reported a 12 per cent increase in 1995 pre-tax profits to £2.08bn.

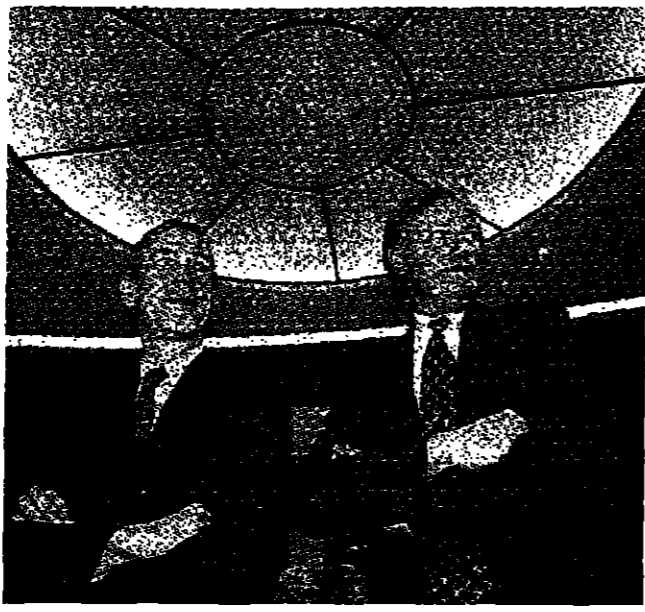
The UK clearing bank paid 765p a share, reducing its capital by about 2.5 per cent. Yesterday's buy-back followed the purchase of 25m shares for £180m last autumn. "We have made it very clear that we see share buy-backs as a way of managing our capital," said Mr Andrew Buxton, chairman.

Mr Buxton announced a record £85m profit-sharing bonus amounting to 6 per cent of salary, an average of £1,200 a head, for about 70,000 staff. The announcement came as Unifi, the Barclays staff union, threatened to hold a strike vote over pay and conditions.

The buy-back and the prospect of further dividend growth helped the shares to recover after an early dip in response to the relatively flat profits. They closed at 765p, down 6p, after falling as low as 753p.

The results were at the low end of expectations, but earnings per share rose more strongly than pre-tax profits - up 15 per cent to 83.6p, as a result of last year's buy-back. Return on equity remained strong at 20.7 per cent.

Operating profit before provi-



Martin Taylor, left, chief executive, and Andrew Buxton: policy of making early and sensible provisions

sions fell by 5 per cent to £2.35bn as expenses rose faster than operating income.

Net provisions were cut from £602m to £396m in 1994, with some earlier general provisions transferred into the specific provision category in the second half. More than 80 per cent of its net specific provisions covered the UK, with increases in the transport and personal sectors more than offset by reductions in the leisure, man-

ufacturing, distribution and property sectors.

The reference to the transport sector was taken by many analysts to allude to Euro-tunnel, but Mr Buxton said Barclays had never been one of the principal lenders and hinted that any exposure might already have been covered. "We have a policy of providing sensibly and early. And you can read into that whatever you like," he said.

# Royal links help Sleepy Kids

By Peggy Hollinger

Sleepy Kids, the animation and character merchandising company with royal connections, reported an 86 per cent jump in annual pre-tax profits from £522,745 to £978,067 (£1.5m).

Budgie the Helicopter, the tubby airborne cartoon character created by the Duchess of York, was responsible for much of the group's revenue growth in the year to October 31. The television series is exported to more than 70 countries and there are more than 135 merchandising deals.

And Prince Charles' Princes Trust has engaged the company for merchandising its Mask '96 campaign, which aims to raise £1m for disadvantaged children through an auction of masks.

Sales in the year to October 31 rose from £1.12m to £1.76m. Mr Martin Powell, chairman, said Sleepy Kids had also enjoyed strong performances from other cartoon projects.

He added that the deal concluded by the Duchess to sell her Budgie interests to a US investment group, in return for payments to cover her estimated £2m debts, would have no effect on the company.

# Wimpey falls to £16m as interest charges treble

By Andrew Taylor, Construction Correspondent

The extent of the gap that George Wimpey, Britain's largest housebuilder, will have to close if it is to make a success of its asset swap with Tarmac was emphasised yesterday when the company announced a steep fall in 1995 profits.

Pre-tax profits declined from £45.1m to £15.6m (£24m) as the UK housing market experienced its worst trading conditions since 1983, according to Mr Joe Dwyer, chief executive.

Profits were also reduced by a jump in interest payments to £15m (£5.9m) as net debt rose from £24.5m to £36.6m.

The figures were in line with the company's recent profits warning and its shares closed down 2p at 134p.

The group is swapping its construction and quarry business for Tarmac's housebuilding operations. The deal, approved on Monday, is due to be completed by the end of this week.

Mr Dwyer said the two housing businesses would be run

separately. Even so, there would be annual savings of about £5m from sharing support services. About 200 jobs were expected to be lost.

Mr Dwyer said the housing market had picked up in the first eight weeks of this year. The final quarter last year saw a 25 per cent fall in net reservations - agreed sales on which a deposit has been paid.

Wimpey sales were now running at about the same level as the beginning of 1995, even though it was selling from 6 per cent fewer development sites. Operating profits from UK housing slipped from £46.2m to £23.3m.

The US, where the group suffered from high start costs and a depressed market in the first half, made an operating loss of £2.8m (£3.5m profit).

Wimpey's Australian business, which specialises in selling residential land, recorded operating profits of £1.4m (£4.4m).

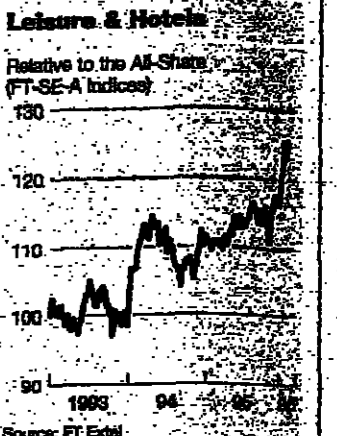
The construction division being transferred to Tarmac made an operating loss of £4.4m (£3.5m profit).

# LEX COMMENTS UK gaming hits the jackpot

British gaming companies hit the jackpot yesterday, with the government promising wholesale deregulation for both bingo and casino operators.

The proposals demonstrate significant guilt at the impact the National Lottery has had on other gambling businesses. The Lottery's "It could be You" slogan unequivocally encouraged greed rather than charity, which seemed unfair, given the archaic restrictions faced by its natural competitors. The consultation paper makes a good stab at levelling the competitive playing field. Proposed changes to bingo regulation, such as easing advertising restrictions and removing the 24-hour waiting period for membership, were expected. After all, bingo is hardly hardcore betting. But the casino operators have really come up trumps. Casinos will be able to increase the number of gaming machines - the real cash generators in US casinos - from two up to 64, depending on the number of gaming tables. Membership restrictions are eased, and there is the prospect of casinos in 13 more locations in Britain. This is excellent news for Rank and, to a lesser extent, Ladbrokes, Stakks and Stanley Leisure.

The introduction of gaming machines to betting shops was proposed a year ago, and is still pending. Under that time frame, the latest proposals could run into a general election and a new government which might not see political capital in encouraging gambling. Buying casino company shares is also a flutter on the longevity of the Tory government.



RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends	Total for year	Total last year
Barclays	Yr to Dec 31	2,083 (1,859)	83.6 (72.4)	16.5	May 2	13	26	21
Capita	Yr to Dec 31	87 (73.8)	9.42 (7.94)	11.81 (10.5)	Apr 29	2.2	3.9	3.3
Dixon Motors	Yr to Dec 31	141 (91.2)	3.36 (4.47)	16.21 (15.4)	May 3	2.5	5	3.75
Domestic Horner	Yr to Dec 31	44.2 (38.7)	7.17 (6.82)	14.53 (10.35)	Apr 3	3	6	4
English & Overseas	Yr to Dec 31	6.95 (4.56)	0.631 (0.587)	0.23 (0.25)	June 27	0.6	0.93	0.9
General Accident	Yr to Dec 31	5,917 (5,140)	599 (504)	82.9 (80)	July 1	18.8	31	29
HTV	Yr to Dec 31	135 (123.3)	12.1 (7.3)	10.51 (5.8)	May 24	1.5	3.75	2.25
Irish Permanent	Yr to Dec 31	108 (92)	42.4 (35.1)	36.41 (30.82)	May 28	6	10.5	6
London Finance	Yr to Dec 31	- (-)	0.124 (4.55)	0.98 (13.82)	Apr 8	0.8	0.7	0.6
Price	6 mths to Oct 31	21.3 (19.7)	1.58 (1.4)	8.9 (8.3)	Apr 29	2.1	2.1	7.8
Stet	6 mths to Dec 31	18.5 (17.9)	1.76 (1.49)	5.4 (4.6)	Apr 4	1.8	-	-
Sleepy Kids	Yr to Oct 31	1.78 (1.12)	0.97 (0.52)	2.96 (1.74)	May 13	0.1	0.1	0.1
Telegraph	Yr to Dec 31	254.8 (252.1)	35.5 (45)	17.3 (23.4)	May 9	7.5	13	13
Union	Yr to Dec 31	- (-)	1.37 (3.48)	2.61 (15.3)	May 26	1.5	3	3
Wimpey (George)	Yr to Dec 31	1,625 (1,723)	15.5 (45.1)	1.8 (8.73)	May 8	3.5	5.5	5.5

	NAV (p)	Dividends	EPS (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Edinburgh Income	9 mths to Jan 31	45.6 (30.8)	0.364 (0.406)	2.4 (2.7)	Apr 4	1	4	4
River & Mercantile	Yr to Dec 31	210.09 (183.89)	9.81 (8.71)	9.43 (8.53)	Apr 8	2.45	9.48	9.2
RSM Smaller	6 mths to Jan 31	161.31 (138.86)	0.406 (0.282)	1.58 (1.12)	Apr 3	1.25	1.25	4.325
Scottish Eastern	Yr to Jan 31	115 (88)	12.2 (9.95)	1.92 (1.57)	May 14	1.06	1.74	1.58
TR European Growth	6 mths to Dec 31	206.46 (179.33)	0.253 (0.089)	0.44 (0.12)	-	-	-	1.7

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. After exceptional credit. (C) Increased capital. (P) Premium income. (S) Irish currency. (SUSM) stock. \* Restated. \* Comparatives restated. # At April 30. # Third interim; makes 3p to date.

# IOC placing gets £19.6m valuation

By Paul Taylor

Shares in Integrated Optical Components International, which is coming to the Alternative Investment Market

through a placing with institutions, are being priced at 80p each, capitalising the specialist electronic component maker at £19.6m (£30m).

The placing by Henry Cooke, Lamsden, the stockbrokers, of 9,82m shares - representing 38 per cent of the capital - will raise £7.45m.

IOC, which was formed in 1991, designs and makes optoelectronic components, typically used to generate signals in fibre optic telecommunications networks enabling fibre optic strands to carry information.

Esasnet Group, an Internet service provider with some 5,000 customers, has issued its prospectus for joining AIM.

It will have a market of £14.3m (£22m) following the placing of 1.43m shares at 100p and an open offer for the same number.

Online database supplier MAID recently bought a 15 per cent stake for £1.5m and appointed Esasnet as its preferred Internet service provider in the UK and France.

Treatt, the essential and aromatic food oil manufacturer, is seeking to raise £1.42m (£2.2m) from a placing at 305p of 479,770 ordinary shares. Proceeds will be used to reduce borrowings and increase production capacity.

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FINANCIAL TIMES

مكتبة الامم المتحدة

COMMODITIES AND AGRICULTURE

Silver syndicates 'still seeking \$8 an ounce'

By Kenneth Gooding, Mining Correspondent
The syndicates that unsuccessfully tried to manipulate the price of silver above US\$6 a troy ounce last year...

pointed to changes in market conditions when presenting its annual silver survey, which is sponsored by 14 corporations representing every sector of the silver market.

by nearly 34 per cent last year to 212.8m ounces, their lowest level since June 1983, said CPM. Much of the silver moved from reported stocks went to London.

Chile's islanders net an aquatic earner

Sarah Provan reports on an island that produces more farmed salmon than Scotland

Trucks laden with refrigerator crates and cases of fishmeal queue up alongside crowded buses to wait for the car ferry, the only link between the island of Chiloé and mainland Chile.

November last year this earned \$456m, an increase of more than 23 per cent on the \$347.7m earned in 1994, according to figures from the Chilean Association of Salmon and Trout Producers.



Fresh catch: workers process salmon off the island of Chiloé

Mr Thomas Kehler, director of SalmoAmerica, agrees: "The salmon industry has opened up the island [economically]. Before the introduction of salmon there were no opportunities for permanent employment; it was mostly a subsistence living being eking out, particularly with agriculture - mostly potatoes - fishing and cattle."

Chile also has a ready supply of fishmeal. Chile and Peru, with their long coastlines and variety of fish, such as anchovies, horse mackerel and sardines, are the world's largest fishmeal producers.

Placer to raise gold output

By Bernard Simon in Toronto

Placer Dome, the mining group based in Vancouver, expects to boost net gold output by at least 650,000 to 700,000 ounces a year to meet a production target of 2.5m ounces in 1996.

including royalty payments and foreign exchange controls, have yet to be resolved. "The question of when [the project will come on stream] is more up to Venezuela than to us," Mr John Willson, Placer's chief executive, said.

and Campbell mines in Ontario. Placer's 1995 earnings were dented by a US\$42m charge for a costly misadventure in Kazakhstan. Placer sold its 27.5 per cent stake in the Vasilkovskoye gold project late last year after the ore body failed to meet expectations.

Nickel price fall leads weaker market

MARKET REPORT

London Metal Exchange prices continued to weaken yesterday with nickel experiencing the biggest fall. Its price was down by 2.4 per cent to \$8,035 a tonne following a 1.9 per cent fall on Monday.

Meat and livestock

Table with columns for Meat and Livestock prices, including Live Cattle, Live Hogs, and Pork Bellies. Prices are listed in cents per bushel or per tonne.

Grains and oil seeds

Table with columns for Grains and Oil Seeds prices, including Wheat, Maize, and Soyabean Meal. Prices are listed in cents per bushel.

Softs

Table with columns for Softs prices, including Cocoa and Coffee. Prices are listed in cents per tonne.

Energy

Table with columns for Energy prices, including Crude Oil, Heating Oil, and Natural Gas. Prices are listed in dollars per barrel or per million BTUs.

COMMODITIES PRICES

BASE METALS

Table of Base Metals prices, including London Metal Exchange (LME) prices for Aluminum, Zinc, Lead, and Tin. Prices are listed in dollars per tonne.

Precious Metals continued

Table of Precious Metals prices, including Gold, Silver, and Platinum. Prices are listed in dollars per ounce.

GRAINS AND OIL SEEDS

Table of Grains and Oil Seeds prices, including Wheat, Maize, and Soyabean Meal. Prices are listed in cents per bushel.

SOFTS

Table of Softs prices, including Cocoa and Coffee. Prices are listed in cents per tonne.

MEAT AND LIVESTOCK

Table of Meat and Livestock prices, including Live Cattle, Live Hogs, and Pork Bellies. Prices are listed in cents per bushel or per tonne.

ENERGY

Table of Energy prices, including Crude Oil, Heating Oil, and Natural Gas. Prices are listed in dollars per barrel or per million BTUs.

PRECIOUS METALS

Table of Precious Metals prices, including Gold, Silver, and Platinum. Prices are listed in dollars per ounce.

INDEXES

Table of various market indices, including the FTSE 100, Nikkei 225, and DAX. Prices are listed in dollars.

Mining stockbroker dies in South African road accident

Mr Bob Dighton, one of the team at specialist mining stockbroker T. Hoare & Co, has died in a road accident in South Africa.

He first worked with Mr Tim Hoare at Laing & Cruikshank from 1955 to 1990 and rejoined him when T. Hoare was set up in 1993.

CROSSWORD

Crossword puzzle grid with clues and solutions. The puzzle is titled 'No. 9,005 Set by CINCINNUS'.

JOTTER PAD

A collection of short articles, notes, and puzzles, including a 'Jotter Pad' section with various snippets of news and commentary.



INTERNATIONAL CAPITAL MARKETS

Tory victory lifts gilt prices ahead of auction

By Antonia Sharpe and Sander Iskander in London and Lisa Bransten in New York

The government's victory in the Scott report debate in parliament late on Monday sent UK gilts higher yesterday, creating a favourable environment for today's \$30n auction of long-dated stock.

The market will be disappointed if the auction is less than 1 1/2 times covered and if the tail (the difference between the highest and the average accepted yield) is longer than 2 to 3 basis points.

Mixed signals on the economy kept US Treasury prices on their downward trajectory. Bonds gained in early trading on weaker than expected January producer prices, but slumped at mid-morning after the Conference Board said its index of consumer confidence jumped in February.

GOVERNMENT BONDS

Near midday, the benchmark 30-year Treasury bond was down 1/8 at 93 1/2 to yield 6.87 per cent and the two-year note was 1/4 lower at 96 1/2, yielding 5.22 per cent.

confidence, which added to the growing consensus that economic activity is rising and the Federal Reserve might not cut rates at next month's Open Market Committee meeting.

range, the 10-year bund contract on Life-closed at 96.90, up 0.20. However, the 10-year spread between bunds and Treasuries tightened from 80 basis points to 28 basis points, despite investors' persistent concerns over the future of European monetary union.

French OATs also lacked inspiration and tracked foreign markets. The March contract of Matif's 10-year government bond future ended an edge session at 120.42, down 0.20 from Monday's close.

Callable global by Freddie Mac

By Conner Middelmann

Primary activity in the eurobond market picked up slightly yesterday, although sentiment remained subdued as underlying government bond markets continued to trade nervously.

Lead manager Goldman Sachs said it had built up a substantial book of orders from non-US investors, especially in the UK and Asia.

INTERNATIONAL BONDS

Many European investors are still not that comfortable with callable bonds, and most are sitting on the sidelines anyway because the markets are so volatile, one dealer said.

A \$100m offering for Sociedad Comercial de Plata, the Argentine conglomerate with interests in energy, public services and entertainment, was a success, thanks to the short maturity and attractive yield spread over US Treasuries.

NEW INTERNATIONAL BOND ISSUES

Table with columns: Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Lists various international bond issues from US Dollars to Italian Lira.

Final terms, non-callable unless stated. Yield spread over relevant government bond at launch supplied by lead manager. All interest rates are annual nominal rates.

the 40 basis point re-offer spread widened sharply after the bonds were freed to trade. CSFB Effectenbank blamed this on the underlying bond market's volatility, but other dealers said the pricing was

too aggressive and that the seven-year maturity was too long for most retail investors. According to CSFB, the spread closed at 47 basis points over bunds while others said it rose above 50 basis points.

The state-owned Indian Railway Finance Corporation has mandated ANZ Grindlays Bank to lead a seven-year \$60m FRN issue before the end of March - the IRFC's first international bond offering.

Five-year options on IDBI facility

By Antonia Sharpe

The Industrial Development Bank of India is raising \$150m through a syndicated loan arranged by Australia and New Zealand Banking Group.

The higher yield reflects the greater frequency of the IDBI's borrowing in the international capital markets and caution ahead of India's elections in April.

SYNDICATED LOANS

The IDBI had to seek a special exemption from a general rule that requires offshore loans of more than \$15m to carry maturities of at least seven years.

ANZ, which did not syndicate the loan, declined to comment on pricing. A2000 is a 50-50 joint venture between Philips, the Dutch electronics group, and US West, the US-based telephone company.

CBOT-CME committee endorses merger as goal

By Richard Lapper

A committee formed to discuss joint strategic initiatives by Chicago's two derivatives exchanges held its first meeting yesterday and endorsed the ultimate merger of the two as a "desirable goal".

to overcome any problem or challenge that we might meet on our difficult journey. Mr Pat Arbor, his opposite number at the CBOT and fellow co-chairman, said the committee would examine "critical areas that have the potential for some community of purpose that ultimately would benefit our members, member firms and other users of our markets. I am optimistic that our efforts will be productive."

WORLD BOND PRICES

Table with columns: Country, Coupon, Red Date, Price, Day's change, Yield, Week ago, Month ago. Lists benchmark government bonds for Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Korea, Netherlands, Portugal, Spain, Sweden, UK Gilts, US Treasury.

BUND FUTURES OPTIONS (LIFE) DM250,000 points of 100%

Table with columns: Strike Price, Apr, May, Jun, Sep, Apr, May, Jun, Sep. Lists call and put options for Bund futures.

FT ACTUARIES FIXED INTEREST INDICES

Table with columns: Price Index, UK Gilts, US Treasuries, etc. Lists various fixed interest indices.

FT FIXED INTEREST INDICES

Table with columns: Govt. Secs. (UK), 10-year, 5-year, etc. Lists various fixed interest indices.

GILT EDGED ACTIVITY INDICES

Table with columns: Gilt Edged, 10-year, 5-year, etc. Lists various gilt edged activity indices.

US INTEREST RATES

Table with columns: Rate, One month, Three month, Six month, One year, Two year, Three year, Five year, Ten year, Thirty year. Lists various US interest rates.

SPAIN

Table with columns: Open, Settle, Change, High, Low, Est. vol., Open Int. Lists various Spanish market data.

ITALY

Table with columns: Open, Settle, Change, High, Low, Est. vol., Open Int. Lists various Italian market data.

FRANCE

Table with columns: Open, Settle, Change, High, Low, Est. vol., Open Int. Lists various French market data.

GERMANY

Table with columns: Open, Settle, Change, High, Low, Est. vol., Open Int. Lists various German market data.

UK GILTS PRICES

Table with columns: Issue, Yield, Price, etc. Lists various UK gilt prices.

BOND FUTURES AND OPTIONS

Table with columns: France, Germany, UK. Lists various bond futures and options data.

OTHER FIXED INTEREST

Table with columns: Issue, Yield, Price, etc. Lists various other fixed interest data.

FT/ISMA INTERNATIONAL BOND SERVICE

Table with columns: Issued, Bid, Offer, Chg., Yield. Lists various international bond service data.

SWISS STRAIGHTS

Table with columns: Issued, Bid, Offer, Chg., Yield. Lists various Swiss straight data.

OTHER STRAIGHTS

Table with columns: Issued, Bid, Offer, Chg., Yield. Lists various other straight data.

CONVERTIBLE BONDS

Table with columns: Issued, Price, Bid, Offer, Prem. Lists various convertible bonds.

STRAIGHT BONDS

Table with columns: Issued, Price, Bid, Offer, Prem. Lists various straight bonds.

OTHER BONDS

Table with columns: Issued, Price, Bid, Offer, Prem. Lists various other bonds.

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar rebounds on talk of central bank support

By Graham Bowley

Rumours of central bank intervention swept through foreign exchange markets yesterday helping the dollar to rebound after earlier weakness.

The dollar's recovery undermined the D-Mark, causing it to weaken against most other European currencies. Its decline was most marked against the Italian lira and Swedish krona.

Data showing subdued US producer price inflation and a drop in US retail sales helped settle US Treasury bond prices after recent turbulence, lending further support to the dollar's revival.

A downward revision to December German industrial production to show very little improvement in activity at the end of last year also gave a boost to the dollar at the expense of the D-Mark, analysts said.

Sterling managed to hold on to some of its gains following the UK government's narrow victory in the vote on the Scott Report on arms to Iraq.

the dollar recovering in spite of the growing chorus of dollar bears.

There were widespread rumours that the US currency's rebound was down to central bank intervention with the Bank of Japan and the Bank of England.

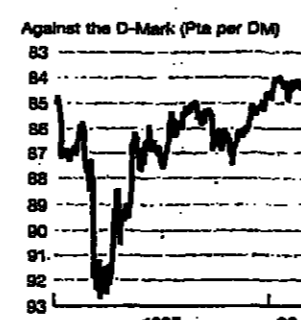
But some analysts said market sentiment had turned against the dollar and that its recovery was likely to prove only temporary.

Mr David Brown, chief European economist at Bear Stearns in London, said: "The mood has definitely turned negative. We are at key levels here."

He said that without intervention the dollar could have moved below Y100 against the yen.

He said that technical factors due to the end of the Japanese financial year, traditionally associated with the repatriation of Japanese investment flows back to Japan, meant that there were currently heavy

Pesetas



Source: FT Est

"the dollar is looking heavy at the moment," he said.

The Italian lira and Swedish krona made strong gains against the D-Mark.

Analysts said that signs that Mr Lamberto Dini, Italy's outgoing technocrat prime minister, continued to command popular support from the Italian electorate was helping the currency on the prospect that he might help bring stability to a new government.

An opinion poll showed that the prime minister's new party would get 65 per cent of Italian votes in the election on April 21.

Mr Tony Norfield, UK treasury economist at A&N Aram in London, said that many long-term investors had "swallowed the weaker yen story" that enjoyed widespread support at the beginning of this year.

He said Germany's high debt to GDP ratio meant that the country was unlikely to meet the Maastricht criteria, yet at the same time the government was saying that the criteria would not be watered down.

"We are seeing an interesting picture building up here with many foreign investors seeing risks in German policy," he said.

The Spanish peseta made less headway against the D-Mark than the lira but dealers said demand for the peseta was strong ahead of the elections at the weekend.

Mr Norfield said there was evidence that the Bank of Spain was buying D-Marks for pesetas in order to build up its foreign reserves and to keep the peseta stable ahead of the elections.

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WORLD INTEREST RATES

Table of World Interest Rates showing Money Rates and Euro Currency Interest Rates for various countries and currencies.

LIBOR FT London Interbank Fixing... US Dollar Cds... ECU Linked Cds... SDR Linked Cds...

EURO CURRENCY INTEREST RATES

Table of Euro Currency Interest Rates for various European currencies and terms.

POUND SPOT FORWARD AGAINST THE POUND

Table of Pound Spot Forward rates against the Pound for various countries and currencies.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table of Dollar Spot Forward rates against the Dollar for various countries and currencies.

CROSS RATES AND DERIVATIVES

Table of Cross Rates and Derivatives showing exchange rates for various currencies.

UK INTEREST RATES

Table of UK Interest Rates showing rates for various financial instruments.

EMS EUROPEAN CURRENCY UNIT RATES

Table of EMS European Currency Unit Rates for various European currencies.

BASE LENDING RATES

Table of Base Lending Rates for various banks and currencies.

UK CLOSING BOND YIELD RATES

Table of UK Closing Bond Yield Rates for various government bonds.

US TREASURY BILL FUTURES (MM) \$1m per 100%

Table of US Treasury Bill Futures for various maturities.

EUROBOND OPTIONS (LFFE) DM1m points of 100%

Table of Eurobond Options for various maturities.

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LONDON SHARE SERVICE

TOP TRUSTS SPLIT CAPITAL - Cont.

Table listing various trusts and their performance metrics, including names like 'The British Trust for Ornithology' and 'The British Trust for World Heritage Sites'.

LEISURE & HOTELS - Cont.

Table listing companies in the Leisure & Hotels sector, such as 'The Rank Group' and 'Hilton Hotels'.

OTHER FINANCIAL - Cont.

Table listing various financial services and investment firms.

PROPERTY - Cont.

Table listing real estate and property-related companies.

SUPPORT SERVICES - Cont.

Table listing support services and utility companies.

AIM - Cont.

Table listing companies on the Alternative Investment Market (AIM).

LIFE ASSURANCE

Table listing life insurance companies.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies.

MEDIA

Table listing media and publishing companies.

RETAILERS, FOOD

Table listing food and grocery retailers.

TELECOMMUNICATIONS

Table listing telecommunications companies.

AMERICANS

Table listing American companies.

TEXTILES & APPAREL

Table listing textiles and apparel companies.

RETAILERS, GENERAL

Table listing general retailers.

PHARMACEUTICALS

Table listing pharmaceutical companies.

CANADIANS

Table listing Canadian companies.

SOUTH AFRICANS

Table listing South African companies.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies.

INVESTMENT COMPANIES

Table listing investment companies.

OIL, INTEGRATED

Table listing integrated oil companies.

LEISURE & HOTELS

Table listing leisure and hotels companies.

PHARMACEUTICALS - Cont.

Continuation of pharmaceutical companies table.

RETAILERS, GENERAL - Cont.

Continuation of general retailers table.

TOBACCO

Table listing tobacco companies.

TRANSPORT

Table listing transport companies.

WATER

Table listing water utility companies.

SUPPORT SERVICES

Table listing support services companies.

GUIDE TO LONDON SHARE SERVICE

Guide to London Share Service: Includes information on how to use the service, company classifications, and a list of symbols used in the tables.

Foreign exchange deals to increase on 7th March 1996. Advertisement for PictureTel videoconferencing services, including contact number 0131 451 6896.







Handwritten note in Arabic script: "مركز اندلس"

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 673 4378 for more details.

Main table containing financial data for various funds, including columns for fund names, prices, and performance metrics. Includes sub-sections for 'OFFSHORE INSURANCES' and 'OTHER OFFSHORE FUNDS'.

Vertical text on the left margin, including 'LUXEMBOURG' and other small text.

MANAGED FUNDS NOTES: A detailed section providing additional information and disclaimers regarding the fund data presented in the table.



LONDON STOCK EXCHANGE

MARKET REPORT

Takeover speculation returns and lifts market

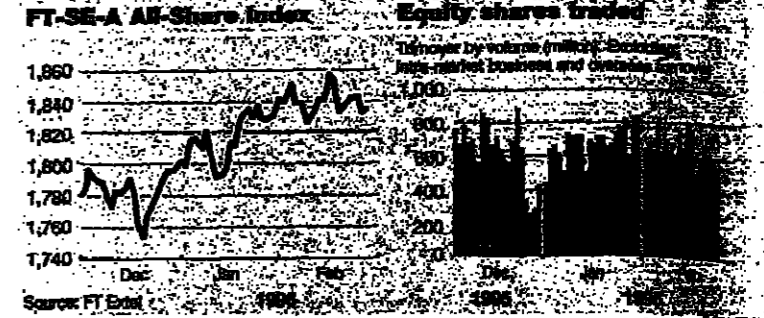
By Steve Thompson, UK Stock Market Editor
A fresh burst of takeover news helped to revive London's equity market, which made useful ground in spite of another sharp opening fall on Wall Street.

Scott report, provided sufficient fire power to drive the FT-SE 100 index up 11.7 to 3,715.9.
The performance of the FT-SE Mid 250 index, on the other hand, was something of a disappointment, with the index only managing a mere 3.7 gain and failing to move back through the 4,200 level.

Barclays shares had drifted back in spite of more than adequate results which included a 24 per cent increase in the dividend.
At 6pm, turnover in the equity market reached 732.9m shares, with Barclays accounting for 91m, or 12 per cent of the overall total.

50 per cent rise in the dividend.
The trading session began on a cautious note with the Footsie opening marginally easier as market makers eyed the 65-point decline overnight in the Dow Industrial Average. The fall was only partly offset by the late rally in US bonds.

day's peak, 3,723.2, in mid-morning.
Thereafter the index gradually eased in relatively quiet trading - apart from the Barclays buyback - to close comfortably clear of the 3,700 level.



Indices and ratios table showing FT-SE 100, FT-SE Mid 250, FT-SE 100/FT-SE Mid 250, FT-SE 100 Dividend Yield, and FT-SE 100 P/E Ratio.

Best performing sectors table listing Extractive, Alcoholic Beverages, Leisure & Hotels, Gas Distribution, and Banks, Retail.

Futures and Options table showing FT-SE 100 Index Futures (Liffe) and FT-SE 100 Index Options (Liffe).

FT-SE 100 Index Options (Liffe) table with columns for Open, Set Price, Change, High, Low, etc.

FT-SE 100 Index Options (Liffe) table with columns for Open, Set Price, Change, High, Low, etc.

FT-SE 100 Index Options (Liffe) table with columns for Open, Set Price, Change, High, Low, etc.

FT-SE 100 Index Options (Liffe) table with columns for Open, Set Price, Change, High, Low, etc.

Trading Volume table showing Major Stocks Yesterday with columns for Vol, Chng, Days.

Trafalgar jumps on bid hope

Loss-making Trafalgar House, buoyed throughout the morning by strong takeover rumours, shot forward even more dramatically following confirmation that Kvaerner, the Norwegian shipping group, is considering a bid for Trafalgar House, the troubled UK conglomerate, instantly revived the market's hope that more bids or mergers could be in the pipeline.

Explaining the change of stance, analysts at the securities house said: "The current (price/earnings ratio) rating discounts the dull growth prospects for the spirits market worldwide and Guinness has better cash generation than its peer group."
The broker also believes the UK spirits group is well positioned to take advantage of consolidation in the industry in the medium term.

Casino operators were said to be particularly pleased with the proposals. Shares in London Clubs forged ahead 18 to 49p, and those in Stakis hardened 3 to 91p.
More modest gains were also recorded in Ladbrokes - a penny firmer at 167p - and in Capital Corporation, which also put on a penny at 219p.

Barclays came out with profits broadly in line with expectations and the stock slipped 15 initially. There were worries about cost growth and the anticipated share buyback did not come.
Then, later in the afternoon, Barclays said it was repurchasing 40m of its shares and the underlying price recovered but still closed 6 off at 785p, with turnover of 91m by the end of the day showing the buyback had been executed.

of 947 which, it feels, more closely reflects the true value of the group's ESSAB welding equipment business.
Results from George Wimpey met City targets but yesterday's meeting with analysts was a slightly downbeat affair. The shares lost 2 at 134p.

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Guinness active

Spirits group Guinness topped the list of the day's most active traders after long term bear UBS turned more positive on the stock.
The securities house had been a seller of the shares since June 1994 but UBS yesterday upgraded its recommendation from "sell" to "hold".

Reuters in demand

Shares in Reuters were among the top performers in the blue chips after buying in New York and a change of recommendation in London.
One US hedge fund was believed to be a big purchaser of the news and financial information group's shares, possibly taking advantage of a dividend arbitrage.

Financial Times Equity Indices

Table showing Financial Times Equity Indices for Feb 27, Feb 26, Feb 25, Feb 24, Feb 23, Feb 22, Feb 21, Feb 20, Feb 19, Feb 18, Feb 17, Feb 16, Feb 15, Feb 14, Feb 13, Feb 12, Feb 11, Feb 10, Feb 9, Feb 8, Feb 7, Feb 6, Feb 5, Feb 4, Feb 3, Feb 2, Feb 1, Feb 0, Feb -1, Feb -2, Feb -3, Feb -4, Feb -5, Feb -6, Feb -7, Feb -8, Feb -9, Feb -10, Feb -11, Feb -12, Feb -13, Feb -14, Feb -15, Feb -16, Feb -17, Feb -18, Feb -19, Feb -20, Feb -21, Feb -22, Feb -23, Feb -24, Feb -25, Feb -26, Feb -27, Feb -28, Feb -29, Feb -30, Feb -31, Feb -32, Feb -33, Feb -34, Feb -35, Feb -36, Feb -37, Feb -38, Feb -39, Feb -40, Feb -41, Feb -42, Feb -43, Feb -44, Feb -45, Feb -46, Feb -47, Feb -48, Feb -49, Feb -50, Feb -51, Feb -52, Feb -53, Feb -54, Feb -55, Feb -56, Feb -57, Feb -58, Feb -59, Feb -60, Feb -61, Feb -62, Feb -63, Feb -64, Feb -65, Feb -66, Feb -67, Feb -68, Feb -69, Feb -70, Feb -71, Feb -72, Feb -73, Feb -74, Feb -75, Feb -76, Feb -77, Feb -78, Feb -79, Feb -80, Feb -81, Feb -82, Feb -83, Feb -84, Feb -85, Feb -86, Feb -87, Feb -88, Feb -89, Feb -90, Feb -91, Feb -92, Feb -93, Feb -94, Feb -95, Feb -96, Feb -97, Feb -98, Feb -99, Feb -100.

London Recent Issues: Equities

Table showing London Recent Issues: Equities with columns for Issue, Amt, Mkt, Price, etc.

FT Gold Mines Index

Table showing FT Gold Mines Index with columns for Gold Mines Index, Feb 27, Feb 26, Feb 25, Feb 24, Feb 23, Feb 22, Feb 21, Feb 20, Feb 19, Feb 18, Feb 17, Feb 16, Feb 15, Feb 14, Feb 13, Feb 12, Feb 11, Feb 10, Feb 9, Feb 8, Feb 7, Feb 6, Feb 5, Feb 4, Feb 3, Feb 2, Feb 1, Feb 0, Feb -1, Feb -2, Feb -3, Feb -4, Feb -5, Feb -6, Feb -7, Feb -8, Feb -9, Feb -10, Feb -11, Feb -12, Feb -13, Feb -14, Feb -15, Feb -16, Feb -17, Feb -18, Feb -19, Feb -20, Feb -21, Feb -22, Feb -23, Feb -24, Feb -25, Feb -26, Feb -27, Feb -28, Feb -29, Feb -30, Feb -31, Feb -32, Feb -33, Feb -34, Feb -35, Feb -36, Feb -37, Feb -38, Feb -39, Feb -40, Feb -41, Feb -42, Feb -43, Feb -44, Feb -45, Feb -46, Feb -47, Feb -48, Feb -49, Feb -50, Feb -51, Feb -52, Feb -53, Feb -54, Feb -55, Feb -56, Feb -57, Feb -58, Feb -59, Feb -60, Feb -61, Feb -62, Feb -63, Feb -64, Feb -65, Feb -66, Feb -67, Feb -68, Feb -69, Feb -70, Feb -71, Feb -72, Feb -73, Feb -74, Feb -75, Feb -76, Feb -77, Feb -78, Feb -79, Feb -80, Feb -81, Feb -82, Feb -83, Feb -84, Feb -85, Feb -86, Feb -87, Feb -88, Feb -89, Feb -90, Feb -91, Feb -92, Feb -93, Feb -94, Feb -95, Feb -96, Feb -97, Feb -98, Feb -99, Feb -100.

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Handwritten text in Arabic script: "مكتبة الأصيل"



WORLD STOCK MARKETS

EUROPE
Austria (Feb 27 / Sch)
Stock market data for Austria including indices and individual stocks.

ITALY (Feb 27 / Lit)
Stock market data for Italy including indices and individual stocks.

GERMANY (Feb 27 / DM)
Stock market data for Germany including indices and individual stocks.

FRANCE (Feb 27 / Fr)
Stock market data for France including indices and individual stocks.

NETHERLANDS (Feb 27 / Fl)
Stock market data for the Netherlands including indices and individual stocks.

FINLAND (Feb 27 / Mk)
Stock market data for Finland including indices and individual stocks.

SPAIN (Feb 27 / Ptas)
Stock market data for Spain including indices and individual stocks.

PORTUGAL (Feb 27 / Escudo)
Stock market data for Portugal including indices and individual stocks.

IRELAND (Feb 27 / Pts)
Stock market data for Ireland including indices and individual stocks.

NETHERLANDS (Feb 27 / Fl)
Stock market data for the Netherlands including indices and individual stocks.

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Stock market data for the Netherlands including indices and individual stocks.

NETHERLANDS (Feb 27 / Fl)
Stock market data for the Netherlands including indices and individual stocks.

Rockwell components for heavy and medium duty trucks and trailers keep businesses on the road to exceptional performance. Rockwell logo.

INDICES
Table of various stock indices including Dow Jones, Nikkei, and others.

US INDICES
Table of US stock indices including S&P 500, Dow Jones Industrial Average, etc.

NETHERLANDS (Feb 27 / Fl)
Stock market data for the Netherlands including indices and individual stocks.

NETHERLANDS (Feb 27 / Fl)
Stock market data for the Netherlands including indices and individual stocks.

NETHERLANDS (Feb 27 / Fl)
Stock market data for the Netherlands including indices and individual stocks.

Market and DAX - 1,200.50; Nikkei - 12,000.00; FTSE 100 - 4,500.00; DAX - 1,200.50; Nikkei - 12,000.00; FTSE 100 - 4,500.00.



4 pm close February 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table of stock prices with columns for stock name, price, change, and volume. Includes sub-sections for 'D', 'H', 'M', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

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Continued on next page



NYSE COMPOSITE PRICES

NASDAQ NATIONAL MARKET

Table of NYSE Composite Prices, including columns for stock symbols, prices, and changes. Includes sub-sections like 'Continued from previous page' and 'AMERICAN STOCK MARKET'.

Table of NYSE Composite Prices, continuing from the previous section with various stock listings.

Table of NYSE Composite Prices, continuing with more stock listings and market data.

Table of NYSE Composite Prices, continuing with additional stock listings.

Table of NYSE Composite Prices, continuing with further stock listings.

Table of NYSE Composite Prices, continuing with final stock listings.

Table of NASDAQ National Market prices, including columns for stock symbols, prices, and changes.

Table of NASDAQ National Market prices, continuing with more stock listings.

Table of NASDAQ National Market prices, continuing with additional stock listings.

Table of NASDAQ National Market prices, continuing with further stock listings.

Table of NASDAQ National Market prices, continuing with more stock listings.

Table of NASDAQ National Market prices, continuing with final stock listings.

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AMERICA

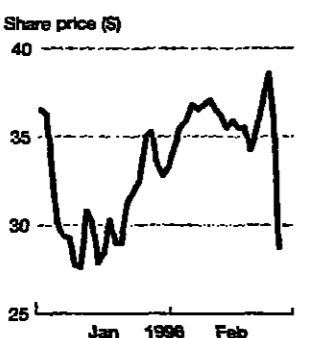
US equities lower on rate rise worries

Wall Street

Data suggesting that the Federal Reserve might not lower interest rates at next month's meeting of its Open Market Committee sent US share prices lower in midday trading, writes Lisa Branstetter in New York.

At 1 pm the Dow Jones Industrial Average was off 29.62 at 5,535.48, the Standard & Poor's 500 lost 3.49 at 646.97 and the American Stock Exchange composite was 1.03

Microchip Technology



weaker at 544.32. New York SE volume was 246m shares. The Nasdaq composite slipped 4.32 to 1,108.73 and the Pacific Stock Exchange technology index was 0.6 per cent lower.

Just after noon the Dow was down more than 50 points, triggering the "uptick rule" that restricts program selling. Yesterday marked the sixth consecutive session in which the volatile market has traded with restrictive collars.

Telmex helps Mexico

Telmex helped to support the market in MEXICO CITY. Brokers said foreign investors were noticeable mainly by their absence, although those who were busy were purchasing the telephone utility.

The IPC index was standing 1.48 points softer at midsession at 2,953.91.

Telmex domestic stock was up nearly 10 per cent by midsession, reflecting a rise in the group's ADRs traded on Wall Street.

Other active stocks were VISA, up 4.7 per cent, and Hylsam, up 3.5 per cent. In SAO PAULO was nearly 1 per cent lower by mid-morning as investors concentrated their attention on a round of debates in the country's congress during the course of the week.

S African industrials retreat

Johannesburg was weak in quiet trade, with industrials taking their lead from Wall Street's early performance and stocks marginally down in reaction to a dull bullion price.

The overall index lost 83.5 at 6,723.1, industrials fell 68.6 to 3,326.3 and golds dipped 14.4 to 1,752.5.

Anglo American led the market lower, dropping R5.50 to R257.50. Iscor, the steelmaker, receded 29 cents to R3.25

EUROPE

Allianz and bond yields lead Frankfurt advance

The US data went down well in FRANKFURT. While a 33 per cent rise in profits at Allianz merely supported the market during the session, the big insurer led equities up after hours. The Dax index closed 10.36 higher at an Ibis-indicated DM46 ahead at DM2,816 on its profits, its beta status and its response to easing bond yields in the US.

Turnover came back from DM8.3bn to DM7.7bn. The better tone did not save MAN, down another DM10.70 at DM409.50 after Monday's disappointing first-half results; DB Research lowered its recommendation for the truckmaker and engineer from neutral to underweight, short term.

There was a better reception for Bilfinger & Berger, up DM14 at DM585, although the construction group forecast a flat 1996 after a profits downturn in 1995. Meanwhile, speculators took Bremer Vulkan up DM4.30 to 23.5 per cent to DM16 after the banks gave the embattled shipbuilder a two-month reprieve.

PARIS suspended Chargeurs at FF1,201 ahead of its demerger announcement during the course of the afternoon. But the story whetted speculative appetites as the CAC-40 index rose 13.59 to 1,974.52.

Valeo, which did trade,

advanced FF13.50 or 5.1 per cent to FF279 as reports circulated that Mr Carlo de Benedetti, the Italian businessman, might sell his 28 per cent stake in the car parts group.

MILAN, too, saw action in rumour driven stocks as the Comit index edged 0.47 higher to 593.53, helped by gains in the lira and bond futures.

Companies in Mr Carlo de Benedetti's stable firmed the Valeo rumours. The stake is held through Cerus, a French holding company, which said late in the day that no decision had been taken, but that investment bankers had been asked to undertake a strategic study. Cir, the holding company, advanced L14.4 to L864, Cofide L2.6 to L601 and Olivetti L2 to L827.

Elsewhere, Snia, the fibres and chemicals holding company, and other Fiat-controlled companies, were sharply higher on renewed speculation that the motor group planned a sell-off as it refocused on its core business.

Snia moved ahead L48 to L1,431, while Snia Fibre jumped L27 to L640. Caffaro, the chemicals group, rose L45 to L1,515 and Sorin, the bio-engineer, by L138 to L4,600.

AMSTERDAM ran individual features as the AEX index finished 0.34 firmer at 507.60.

FT-SE Actuaries Share Indices

Table with columns: Hourly changes, Open, 10.30, 11.00, 12.00, 13.00, 14.00, 15.00, Close. Rows include FT-SE Europe 100, FT-SE Europe 200, FT-SE Europe 300, FT-SE Europe 400, FT-SE Europe 500, FT-SE Europe 600, FT-SE Europe 700, FT-SE Europe 800, FT-SE Europe 900, FT-SE Europe 1000.

manufacturer of photo copying machines, rose another F14.40 to F131.50 after its positive 1995 earnings announcement on Monday and forecast for another strong rise in 1996, particularly in the US.

On the secondary market, which is mainly where domestic investors trade, Fokker lost 10 cents to F12.10 after Bombardier, of Canada, said that it had called off talks, and had decided not to make an offer for the alling regional aircraft maker.

Fokker rose 70 cents to F102.20 as it published 1995 results which came within the range of most analysts' forecasts. Akzo Nobel lost another F1.40 to F181.50, as the shares continued to reflect disappointment with Monday's set of 1995 figures.

ZURICH saw selective demand for blue chips which took the SMI index 11.8 higher to 3,309.9.

SFR1,241, with Mr Martin Ebner's EZ Bank said to be a buyer. Attention had been refocused on UBS this week after Mr Stephan Schmidheiny, the industrialist, confirmed that he had taken a stake by buying almost 1m registered shares.

Austus fell SFr8 to SFr933, still pressured by Monday's news that the company planned a SFr70m increase in authorised capital.

BBC lost SFr10 to SFr1,443 on profit-taking ahead of today's profits figures of ABB Asa Brown Boveri.

Swissair fell SFr7 to SFr1,083 following 1995 figures from the Belgian airline Sabena, in which the Swiss flag carrier has a 49.5 per cent stake.

to SKR142.50 after a newspaper article said that its car division would replace its entire product range over the next four years. SSAB, the steelmaker, reported record profits, forecast a squeeze on margins, and saw its shares gain SKR1.50 at SKR78.50.

ISTANBUL closed at another all-time high on continuing hopes that a coalition government would soon be formed between Turkey's two leading conservative parties.

The composite index, which jumped 10 per cent on Monday, rose another 2,441.46 or 4.1 per cent to 61,673.52 in turnover that surged to an all-time peak of TL2.640bn.

Brokers noted, however, that profit-taking had pulled the index back from its historic intra-day high of 62,971.97.

PRAGUE climbed to a high for the year as the PX50 index of leading shares gained 2.4 or 0.5 per cent at 466.0. Turnover was Kcs1.1bn.

WARSAW was slightly higher for the second consecutive session, but the main news was in Zasada, the insurance group, which surged 10 per cent after Monday's 60 per cent rally on reports that the company would enter a co-operation agreement with Mercedes-Benz of Germany.

The WIG index rose 0.5 per cent to 10,502.1 as turnover fell 12.5 per cent to 61.8m zlotys.

BUDAPEST posted a 6 per cent gain after Monday's 8 per cent gain after the nomination of a new finance minister. The BUX index eased -0.92 to 2,222.67. Turnover rose to Ftbn from Monday's Ftbn7m.

TEL AVIV was affected by a negative showing in Koor Industries, which dropped 3 per cent to Shk30.52 in turnover of Shk4m.

The Mishkanim Index lost 0.27 to 209.74 in turnover of Shk5m shares against Monday's Shk5m. Nice Systems, the day's negative share, surged -5.5 per cent to Shk2.542 in high volume of Shk5.2m following an overnight rise of 7.6 per cent in its shares traded on Wall Street. Since the beginning of the week Nice has gained 21.6 per cent locally.

ASIA PACIFIC

Nikkei sheds 2.3% on combination of negative news

Tokyo

Equities lost 2.3 per cent, testing the 20,000 level as the overnight drop on Wall Street, the higher yen and rising long-term interest rates hit investor confidence, writes Emiko Terazono in Tokyo.

The Nikkei 225 index fell 479.87 to 20,000.40 after fluctuating between 19,977.48 and 20,126.65. Futures lost ground due to overnight weakness in Chicago and fears of higher interest rates. This prompted arbitrage unwinding which hit underlying cash prices.

Volume was estimated at 350m shares, against Monday's 296m. Although some foreign investors bought high-technology stocks and institutional investors placed buy orders at lower levels, technical trading led activity and most investors stayed away.

The Topix index of all first section stocks lost 18.75 or 1.2 per cent at 1,553.37 and the Nikkei 300 was down 3.90 or 1.3 per cent at 389.80. Declines led advances by 849 to 214, with 151 issues unchanged.

But in London the ISE/Nikkei 50 index put on 2.91 at 1,251.44.

Futures selling sparked off fears of possible unwinding of the record high outstanding arbitrage balance of 3.3bn shares. Rumours that US hedge funds were selling in the futures market also fuelled technical selling.

Uncertainty over the housing loan bailout scheme depressed banks. Leading politicians of the ruling coalition government had called for an increased loss burden on the commercial banks, which set up the defunct Jusen, or housing loan companies. Dai-ichi Kangyo Bank declined Y50 to Y1,940 and Fuji Bank Y100 to Y2,110.

Green Cross, one of the five drug companies ordered to compensate haemophiliacs who had contracted the HIV virus through untreated blood products, continued to weaken, falling Y5 to Y827. It admitted

that it had continued to distribute tainted blood products even after the Ministry of Health and Welfare had ordered a recall, and the company had submitted reports of a complete collection of its untreated products.

Exporters were hit by the fall in the dollar. Toshiba slipped Y5 to Y817 and Fujitsu Y10 to Y1,070. Car shares were also lower, with Toyota Motor down Y20 to Y2,550.

In Osaka, the OSE average fell 183.11 to 21,633.78 in volume of 33.6m shares. The high yen hit Nintendo, the video game maker, which fell Y170 to Y7,000.

Roundup

Early gains were reversed in TAIPEI as volume drifted down. The weighted index, 41 points higher at one stage, finished down 6.22 at 4,769.64.

A government-promoted fund continued to enter the market and lifted prices in early trade. But the lack of confidence caused by strained Taiwan-China relations soon dragged the index down.

The government said that China was building up 150,000 troops for a military exercise on its south-eastern coastline in a move aimed at influencing the outcome of Taiwan's first direct presidential elections on March 23.

Selling by foreign institutions was seen in electronics. Mosel plunged by the daily 7 per cent limit to T\$66.5.

HONG KONG featured a HK\$2.50 spurt by Hang Seng Bank to HK\$74.75 in response to Monday's report of a surge in 1995 operating profits and on what was regarded as its promising growth potential.

Elsewhere, the market took its lead from index futures and the Hang Seng index finished 13.40 weaker at 11,197.02, up from a low of 11,107.75. Turnover remained thin at HK\$95m.

HSBC, whose results came in at the high end of estimates, slipped 50 cents to HK\$124.50 as brokers commented that its 51 per cent surge in bad debt

charges was still not enough. SINGAPORE was weak on profit-taking in blue chip banks, properties and shipyards after their recent sharp gains. The Straits Times Industrial index fell 25.55 to 2,445.57.

CAM Mechatronic was again actively traded, picking up 4 cents to 92 cents on speculation of a takeover after two top executives sold shares.

KUALA LUMPUR pulled back on expensive share prices, rising US bond yields, and technical resistance at 1,100 on the composite index. The KLSE composite index ended 12.87 or 1.2 per cent lower at 1,077.19.

Bank shares were pulled down by worries of possible

financial fallout from alleged very heavy losses at the state-owned steelmaker Perwaja. BANGKOK moved slightly higher, after falling for five consecutive trading days, as domestic investors bought blue chips only two minutes before the close. The SET index gained 3.29 at 1,333.86 on Bt5.4bn turnover.

Brokers put down the rise to technical trading, with Thai Farmers Bank topping the list of active stocks in terms of value, and making Bt4 to Bt189. Finance One, the country's largest finance company, firmed Bt2 to Bt148.

SYDNEY fell back in a holding pattern ahead of Saturday's general election. The All Ordinaries index shed 7.4 to 2,256.7. Turnover was A\$470.5m in volume of 210.7m shares.

Arnots was steady at A\$8.52 after announcing slightly improved half-year net profits. The golds index eased 10.6 to 2,102.6, with Plutonic off 25 cents at A\$7.25, but Newcrest rose 8 cents to A\$5.95.

WELLINGTON was supported by a good rally in Telecom, up 9 cents at NZ\$6.61, while the NZSE-40 Capital Index made 5.37 to 2,133.45.

Turnover, at NZ\$65m, was boosted by a crossing of 18m shares in Brierley as the stock rose a cent to NZ\$1.28.

MANILA succumbed to a further bout of profit-taking as the composite index fell 39.74

or 1.3 per cent to 2,893.92 in heavy turnover of 6.6m shares. KARACHI fell back on what brokers described as post-ipo squaring by domestic investors who held speculative stocks. The KSE 100-share index fell 27.78 or 1.5 per cent to 1,750.24. Losers led gains by 76 to 76.

PTCL retreated Bst30 to Bst37.85 on reports that the government had asked the group to make a payment of Rps5.7bn in excise duty.

BOMBAY was broadly lower in sluggish trade attributed to dealers staying away to watch the World Cup cricket match between India and Australia being played in the city.

The 30-share BSE index dropped 18.81 to 3,519.29.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NetWorth Securities Ltd was a co-founder of the indices.

Table with columns: REGIONAL AND NATIONAL MARKETS, US, Day's Change, Points, Star, Yen, DM, Local, Local, Gross, US, Points, Yen, DM, Local, DOLLAR INDEX, Year, % Change. Rows include Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, United Kingdom, USA, Americas, Europe, Nordic, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. US, World Ex. UK, World Ex. Japan, The World Index.

Advertisement for Bristol-Myers Squibb Company. Text: 'This announcement appears as a matter of record only'. Logo: Bristol-Myers Squibb Company. Text: 'has acquired'. Logo: Plavix. Text: 'The undersigned acted as financial adviser to Bristol-Myers Squibb Company and international broker to the offer'. Logo: Schroders. Date: 'January 1996'. Arabic text at bottom: 'مكاتب التمويل'.